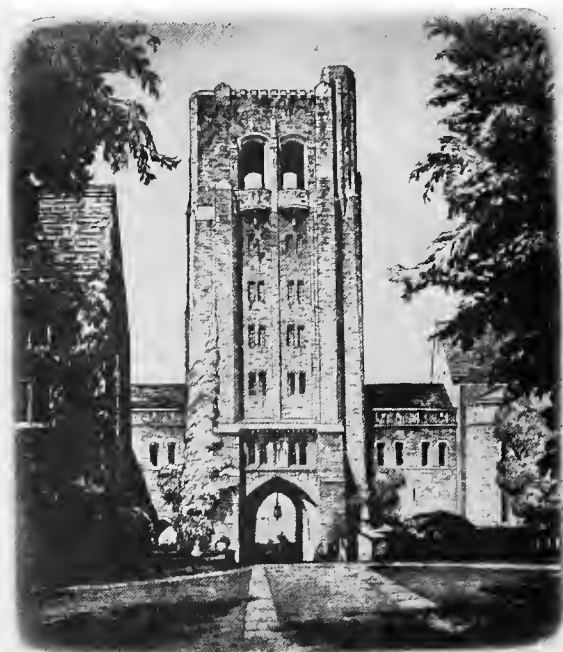


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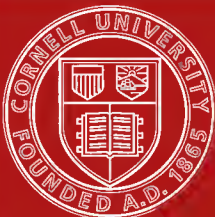
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REPORT  
OF THE  
Commission on Taxation

APPOINTED UNDER No. 501 OF THE ACTS  
AND RESOLVES OF 1906 OF THE  
GENERAL ASSEMBLY  
OF THE

State of Vermont

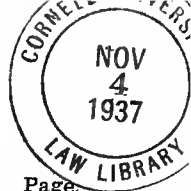
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## ERRATA.

On page 9, 3d paragraph, 1st line, the hyphen should be omitted.

On page 20, 6th paragraph, 2d line 113,000 should read 113,856.

On page 29, 1st paragraph, 1st line, Sec. 502 should read Sec. 520.

On page 34, 1st paragraph, 8th line, "or" should be inserted after the word "store" and the comma omitted; and the proposition "at" should be transposed from the end to the beginning of the line, so that it will read: at which his house, store or building of any kind, is assessed.

On page 45, 3d paragraph, the 9th and 10th lines should be transposed.

On page 72, 1st citation after 2d paragraph, should read: Central R. R. of N. J. v. State, 48 N. J. L. 146 (4 Atlantic Reporter 584.)

On page 84, 3d paragraph, 5th line, "just value in money" should read "true value in money."

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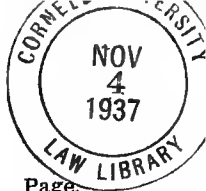
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## Members of Commission

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ORION M. BARBER,

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PITTSFORD

A. ALLYN OLMSTED,

SO. NEWBURY

No. 501.—JOINT RESOLUTION RELATING TO THE  
APPOINTMENT OF A COMMISSION TO INVESTIGATE  
DOUBLE TAXATION.

*Resolved by the Senate and House of Representatives:*

That a committee composed of six persons especially well versed in matters relating to taxation shall be appointed by the governor on or before the first day of February, 1907. The general assembly would respectfully recommend that three of said persons be selected from the republican party and three from the democratic party.

Said commission shall thoroughly investigate the subject of taxation and, before the first day of June, 1908, shall make report thereof to the governor with such recommendations as it may consider are best adapted to remedy the evils of our present system of taxation.

Said commission shall, before said last named date, cause its report to be printed at the expense of the state, and shall procure such number of copies as it shall deem sufficient for general distribution among the taxpayers and voters of the state.

Said commission is hereby authorized to examine and make abstracts of tax inventories on file in the several town clerks' offices and to make such investigation into the practical workings of the laws of this state and other states and countries relating to the subject of taxation as will enable said commission to make an exhaustive and careful report on the subject of taxation.

The secretary of state is hereby authorized to insert such interrogatories in the tax inventories during the years of 1907 and 1908 as said commission shall direct for the purpose of ascertaining information to enable said commission to carry out the provisions of this resolution.

In case said commission is prepared, within one year from the date of its appointment, to report recommendations which it is satisfied should be adopted by the state, we respectfully recommend that the governor call a special session of the general assembly for the purpose of enacting legislation along the lines recommended by said commission.

The compensation of said commission shall be fixed by the governor and paid by the state. Said commission is hereby authorized and empowered to employ, at the expense of the state, such necessary clerical assistance as it shall require to carry out the provisions of this resolution and may expend such sums for books, stationery and incidental expenses as shall be required for the purpose of carrying out such provisions.

Approved December 19, 1906.

So much of Section 1 of No. 33 of the Acts of 1906, entitled, "AN ACT TO AMEND SECTION 442 OF THE VERMONT STATUTES RELATING TO THE EXAMINATION OF TAX INVENTORIES", approved December 19, 1906, as is germane to the authority and duty of this Commission is as follows:

"The town clerk shall also allow a commission authorized so to do by the general assembly, a member of such commission and a person designated in writing by such commission to examine any inventory on file in his office, and to make such abstracts thereof as shall be deemed necessary to carry out the purposes of such authorization. The information obtained by such examination or contained in such abstracts shall not be disclosed in such manner as will reveal the name or identity of the person making such inventory, except for the use of such commission."

# REPORT OF COMMISSION.

---

*To His Excellency, Fletcher D. Proctor:*

Pursuant to the requirements of the joint resolution under and by virtue of which Your Excellency appointed this Commission, we hereby submit our report.

The Commission entered upon its duties the first day of February, 1907. Mr. J. H. Williams of Bellows Falls was one of the original members but on account of ill health was unable to serve, and Mr. A. A. Olmsted was later appointed in his stead.

It will be observed that the title of this resolution indicates that the commission to be appointed thereunder was to investigate the subject of *double taxation*. The resolution itself is silent on that question, but requires that the commission "thoroughly investigate the subject of taxation, and make report thereof to the Governor with such recommendations as it may consider are best adapted to remedy the evils of our present system of taxation."

Undoubtedly there is in the state a widespread belief that there is something radically wrong with our present system of taxation. The adoption of this resolution is indeed a strong indication that such feeling exists. But before passing to the consideration of what may be termed the evils of our present system, it may be well to suggest that the inequalities which apparently exist therein in common with evils found to exist in all other systems that have ever been tried, are due largely to the fact that many taxpayers do not even attempt to be honest in the performance of the duties which the law imposes upon them with reference to taxation.

It is the duty of every taxpayer to contribute his share to the expenses of maintaining the government, measured, of course, by his ability to make such contribution; society in this respect is in a sense one large family, and each member should pay his just proportion of the cost of maintaining it. It is not uncommon, however, that, instead of faithfully discharging such duty, the taxpayer seems rather to be seeking for some loophole by which to escape its performance. He is anxious to satisfy the government with the least tax possible, and is not unwilling to educate his conscience to a high degree of elasticity, if necessary, to enable him to attain that end. He seldom considers that the more expensive the collection of the revenue necessary to support government, the greater must be his contribution to the government itself, and fails to realize that if all honestly aided in the ascertainment of their tax-paying ability, the rate of taxation would thereby be materially diminished.

In this respect the taxpayers of Vermont are no worse, and probably no better, than those all over the world; they are confronted with the same problem that has confronted taxpayers of all ages,—how to get along with the least possible outgo.

In making these suggestions, however, our main purpose is to bring home the thought that if every taxpayer, before finding fault with the law as it exists, would carefully examine his own conduct and motives relative to this subject and be sure that he has contributed his honest proportion of taxes, there would be much less dissatisfaction, and certainly much less cause for dissatisfaction, with existing laws and less necessity for the appointment of commissions of this character.

The resolution referred to authorized us to cause to be inserted in the tax inventories for the years 1907 and 1908 such interrogatories as would elicit information believed to be necessary for a proper performance of our duties. Under this authority we caused to be inserted in the tax inventories for the year 1907 certain interrogatories, which would, if all had been fully answered, have enabled us to

prepare certain tabulations, that it is believed would have been of much assistance in solving the problems before us.

A few of the taxpayers answered these questions fully. The majority answered only a few of them, and a large number ignored them altogether. The taxpayers were probably not entirely at fault in this matter, because we are credibly informed that in many instances they were advised by the listers that they were not obliged to answer these questions, and in a few instances they were advised by the same officials not to answer them.

Prior to the first day of April, 1907, we attempted to put into the hands of every lister in the state a circular letter asking each to co-operate with us in our attempt to get this information, and we feel that such of those officials as adopted the course above indicated are open to public censure.

The attitude of the taxpayers in withholding this information is but another illustration, however, of the truth of the proposition hereinbefore stated, that in general they view with hostility every effort on the part of the government to elicit the information necessary to ascertain their taxpaying ability, and that while the government may be assiduous in attempting to assess and collect a just and equitable tax, the taxpayer is quite as ingenious in thwarting that object. This disregard of the law on the part of the taxpayers and listers has made our work more difficult and less valuable.

In view of the results which we obtained from our previous efforts, and also of the fact that we were required to make our report before the information which we could get from like inquiries inserted in the inventories of 1908 would be available, there seemed to be no occasion for further work in that direction, and it was, therefore, abandoned.

We were authorized to examine all tax inventories on file in the several town clerks' offices in the state and to employ clerical assistance to aid in the performance of this work. We have caused all such inventories to be inspected and therefrom have made various classifications and tabu-

tations which will be found in their proper places in the appendix to this report.

We were aware at the outset that the subject of taxation was one of great importance; one that has been much discussed and never yet solved to the satisfaction of any considerable number of persons. The theories relating thereto, however just and tenable they may seem, are often found, in practice, to be untenable and to result in obvious injustice. We admit however that we did not realize the insurmountable difficulties which confronted us. When it is understood that some of the brightest minds of the country have spent years in attempting to work out a system that would, when put into operation, produce just and equitable results, and have not succeeded, we may be excused for submitting our conclusions with some misgivings.

Much attention has been given to the subject of taxation in our sister states. As early as 1843 the legislature of Connecticut created a commission to inquire into the subject of taxation. In 1862 similar action was taken by New York, since which time many of the other states have had commissions of some sort examining into this subject. Some states have had four, some five, and still others six different commissions during that time.

The legislature of Wisconsin in 1899 created a commission to investigate the subject of taxation, which was to serve for ten years; its members to receive from \$3,000 to \$5,000 annually. One member of this commission had already devoted years to the study of this subject. Several reports have been made by it to different legislatures, some features of which have been adopted while others have been rejected.

Massachusetts has, in like manner, devoted much time and considerable expense in the attempt to solve the question of taxation, and has not yet reached a satisfactory result.

We have had the reports of many of these commissions before us and are indebted to them for many valuable suggestions. An exhaustive study of the subject, such as has been made by other commissions, and notably by those of



New York, California and Wisconsin, would, of necessity, require more time and greater expense than has seemed wise to us to spend or incur at this time.

The agitation upon the subject of taxation has not been confined to this country; it is worldwide. Holland, Italy, Germany, Spain, Canada and Australia have all recently been experimenting upon this subject, but a satisfactory system of taxation has not yet been produced.

We doubt if those responsible for the resolution creating this commission fully realized the expenditure of time and money necessary to make so exhaustive an investigation as has been made by commissions of other states or so complete a report as its terms warrant.

We have endeavored to acquaint ourselves with the conditions which have confronted similar commissions elsewhere, and so far as they have dealt with the objectionable features of their systems, which seem to be similar to the features complained of in ours, to profit by the information embodied in their reports.

Our system of taxation, broadly stated, is this:

The listers of each town appraise property at its value and set the same in the grand list at one per cent of the appraisal. Polls are set in the grand list at two dollars. The grand list is composed of these two items. State and municipal taxes are assessed on this grand list. State school and state highway taxes are annually paid by each town to the state treasurer, and are redistributed in a manner that is intended to relieve to some extent the tax burdens of the poorer towns. Public utility corporations, insurance companies, and savings banks and similar institutions are subject only to the payment of taxes and fees to the state. For the last few years sufficient revenue has accrued to the state from these sources so that no direct state tax has been levied, excepting the school and highway taxes just mentioned. This results in a practical separation of the sources of state and municipal revenues.

We believe this general system is as well adapted to our needs as any found elsewhere.

The laws of some other states contain features which seem to be more desirable than our own, and our recommendations embrace such of these as we think will improve our system. The location of our state and its business conditions are such that we feel that any radical change in our entire system of taxation should only be attempted after a more thorough and exhaustive investigation of the conditions in the commonwealths immediately surrounding us than we have been able to make. It is evident that the results produced by any system of taxation in a commonwealth, limited as is ours, in area, and connected as we are in business with contiguous states, must depend largely upon the laws in force in such states, and for this and other reasons, we have not deemed it wise to suggest an entirely new plan of taxation. We believe, however, that certain changes can be made in our present system which will tend to produce the result which all are seeking to obtain, which is that each taxpayer shall contribute to the government his just proportion of the expense of maintaining the same.

#### BRIEF HISTORY OF VERMONT TAXATION.

Before entering upon a discussion of the evils that beset us, a brief history of taxation in Vermont may be profitable and interesting.

Credit for much of what follows relating to the earlier part of our existence as a state is given to "Wood's History of Taxation in Vermont," Volume IV of "Studies in History, Economics, and Public Law," the correctness whereof, we have verified as far as possible.

Vermont has in the main relied for its revenue, both for state and local purposes, upon a general property tax, although in recent years corporation taxes and fees have practically supported the administration of the state government.

Our first settlers came largely from Connecticut and, as was natural, they adopted the system of taxation in force there.

The first legislative enactment after the independence of Vermont was declared, of which a record has been preserved, was in 1779. It was entitled "An Act Directing Listers in their Office and Duty" and was designed to secure an appraisal of property for purposes of taxation. This was probably a re-enactment of laws passed the previous year, no record of which is to be found. The law was a listing system and required the inhabitants annually to make in writing "a true account of all their listable polls and all their rateable estate" and deliver the same to the listers by July 10.

Polls and rateable estate not given in were fourfolded and one-half of the amount arising from these fourfolds was given to the listers.

The poll tax was obtained by rating all male persons between the ages of sixteen and sixty years, with certain exceptions, at £6 in the grand list.

Live stock was listed as follows:

- Every ox or steer 4 years old or over, £4;
- Every steer or heifer of 3 years, and every cow, £3;
- Every steer or heifer of 2 years, £2;
- Every steer or heifer of 1 year, £1;
- Every horse or mare of 3 years or over, £3;
- All horse kind of 2 years, £2 each;
- All horse kind of 1 year, £1 each;
- All swine of 1 year or more, £1 each.

Improved land alone was included in the list, unimproved land not being taxed. Tools and ordinary buildings, such as dwelling houses and farm buildings, were not taxed, but business buildings, from which income might be expected, were listed.

Land taxed was not appraised at its value, but listed at the rate of 10 shillings per acre. Money and debts due, after deducting debts charged thereon, were also taxed, but were entered in the list at £6 for every £100. A faculty tax was imposed on certain professions and trades; attorneys having the least practice were set in the list at £50 and others in proportion, "according to their practice." Tradesmen,

traders and artificers were rated in the list "proportionably to their gains and returns." The listers were sworn to the performance of their duties.

The law of 1779, with certain amendments that are not of great consequence, remained in force until 1825. Different arbitrary values, during this period, were placed upon different classes of property. Thus, in 1787 money on hand and debts due were placed in the list at £20 for every £100.

It is interesting to note that in 1786 the Council of Censors protested against the faculty tax upon the ground that "tradesmen of all kinds and men of genius are everywhere much wanted" and said that in their opinion "visible property in proportion to the real value is the only fit subject for taxation (except the legislature shall find it expedient to impose a small tax on polls not minors for personal protection); and every deviation from this rule, whether to exculpate one class of men or to harass another, is an error in government and ought to be exploded [in] our future system of taxation."

In 1789 orchards of apple trees having not less than forty trees were exempted from taxation for twelve years.

In 1791 the minimum age at which poll taxes were assessed was raised from sixteen to twenty-one years.

In 1797 the taxes and values were expressed in dollars and cents instead of pounds and shillings; polls were listed at \$20 and improved lands at \$1.75 per acre, and the arbitrary values, at which some of the live stock and other personal property was set in the list, were changed; dwelling houses, except log houses, stores and shops valued at \$1,000 or under, and occupied or rented, were listed at two per cent. of their real value, and if valued at over \$1,000, at three per cent. The list of taxable animals included mules and jackasses. The faculty tax was retained; house clocks, not made of wood, were listed at \$10, gold watches at \$10, and other watches at \$5.

In 1802 "every pleasurable carriage, wagons with spring seats excepted," was set in the list at fifty per cent. of its real value.

In 1809 money on hand, or money due, or obligations payable in money or cattle or any kind or species of property, over and above debts owing, were set in the list at \$6 for every \$100, thus enlarging the provision of the law as first indicated, which taxed only "money on hand or due."

In 1819 triennial appraisals of real estate, excepting unimproved land, were required, and such real estate divided into three classes. The first included dwelling houses, out-buildings, and lots of not over two acres and was listed at four per cent. of its value.

The second class, improved land, was listed at eight per cent. of its value.

The third class, mills, stores, distilleries, and all buildings used for manufacturing, was listed at six per cent. of its value.

In 1820 some changes in these valuations were made, the percentage at which real estate was entered in the lists was varied, and a county equalizing board to equalize assessed values of real estate established. The principle of this equalizing board was retained until 1882.

That there were complaints and dissatisfaction by reason of the claimed injustices of the Vermont tax law then, is evidenced by the declaration of the Council of Censors in 1822, "That although demands from time to time have been made to equalize taxation, still it is to be feared that complaints are justly made, both as to the equality of the mode of taxation, and as to the uniformity of the execution of the laws on this subject."

In 1825 the existing tax laws were revised and consolidated. Polls were set in the list at \$10, with certain exemptions. The valuations of personal property were reduced about fifty per cent. on the average. For the first time reference was made to the taxation of stock in corporations. The faculty tax was preserved. Methods, somewhat inquisitorial, for the ascertainment of the taxable estate were adopted; prior to that time it seems that the returns by the taxpayers of their lists had been voluntary, in the main, rather than forced.

The act of 1825, with amendments, was in force until 1841. At this time the injustice of listing property at fixed arbitrary rates became manifest, and the law was changed to compel the appraisal of all property, both real and personal, except such as was exempt, and the setting of the same in the grand list at one per cent. of its valuation, which method has continued to the present time. Polls were listed at \$1 each. The act of 1841 eliminated the faculty tax, but this was restored in 1842, and polls were listed at \$2 instead of \$1. All personal property was subject to offset for debts owing, but such offsets were only allowed upon the oath of the taxpayer that the debts were *bona fide*.

Various changes were made from time to time, more in detail than principle, until 1850, when the faculty tax was abolished, and since that time no such tax has been assessed in Vermont.

In 1844 it was provided that a person assessed any greater sum for money or debts due than he had been in the preceding year should be notified thereof by the listers, and in 1855 this provision was enlarged to compel the listers to notify every taxpayer, whom they assessed for money on hand, debts due or to become due, stock in trade or manufactures, of the amount of such assessment.

In 1862 dogs were made taxable, and in 1864 the work of the listers was facilitated by compelling taxpayers to hand in lists of their real and personal property by April 10 of each year, and to give notice of all transfers of real estate made during the year. It seems that from 1841 up to this time the lists had been given to the listers by the taxpayers only on demand from the former.

In 1867 the maximum age at which polls were listed was raised from sixty to seventy years. In 1874 for the first time real estate owned by railroads was taxed. The act so providing gave the listers in each town authority to list the real estate, owned or occupied by railroad companies within their respective towns, exactly the same as other real estate; and real estate was defined to include the road bed, tracks and all land used for railroad purposes. The

main line roadbed could not be valued at over \$2,000 per mile, and the real estate of railroads was exempted from taxation for ten years from the time at which regular trains began to run.

From the close of the war up to 1880 there was a growing discontent with property appraisals. Equalizing boards were unable to perform the duty cast upon them. Each town kept its list as low as possible, and personal property steadily diminished in assessed value, notwithstanding it had increased in fact.

In 1866 it was assessed at \$21,435,281; in 1880 at \$15,037,262.

Perhaps the language of Hon. Jonathan Ross, the chairman of the committee on taxes and expenditures, in a report to the Council of Censors, made in 1869, may be quoted with profit. "Public opinion seems to be morally depraved in regard to this matter. It is hardly considered a stain upon one's character to make any statement, however false, in regard to the amount of his property. \* \* \* While the personal property is assessed at from one-half to two-thirds its true value in money, the deductions for debts are for the full amount, and sometimes double the amount; in fact it is believed that fictitious debts are frequently contracted for the express purpose of obtaining these deductions."

In 1870 Governor Stewart, in his message to the legislature, said, "The amount of personal estate which escapes taxation is enormous. \* \* \* Real estate cannot escape, but personal property, through the much abused privilege of offset for debts, and the various shifts of evasion and concealment, too commonly practiced, is largely omitted from our annual lists."

In 1876 Governor Fairbanks spoke of the unsatisfactory results of the then existing law in terms of denunciation.

The chief complaints seem to have been the under valuation of taxable property, unequal appraisals and the escape from taxation of a large amount of personal property by concealment, evasion and false offset.

The dissatisfaction with, and agitation concerning taxation already mentioned, led to the enactment of the tax law of 1880, which, as revised and amended in 1882, is in substance our present law.

We are aware that in this report there are some repetitions of arguments and conclusions, as well as of facts found, but we believe that their pertinency and closeness of relation to the immediate subject under discussion will be deemed a sufficient excuse therefor.

#### ADMINISTRATIVE EVILS OF PRESENT SYSTEM.

One serious evil in the administration of our present system of taxation is in the listing and appraisal of property.

The statute requires the listers to set all real estate and personal property, not by law exempt from taxation, in the list at its true value in money, and the following oath is required of the listers:

"I.....do solemnly swear that I will appraise all the personal and real property subject to taxation in the town of.....so far as required by law at its true value in money. \* \* \*"

But our investigation disclosed the fact that in very few, if any, towns in this state is the real estate or personal property set in the list at its true value in money. In some towns the real estate is appraised at less than half its value. This works a great injustice between different towns both as to county and state taxes. It taxes one town or county very much more in proportion to the value of its property than another.

The evil, however, is not confined to differences between towns or between counties; individuals in the same town are not assessed on the same basis.

Where listers are allowed to depart from the requirements of their oath and their duty in the appraisal of property for taxation, the result is favoritism or inequality. In one instance (and there are many similar cases) we found that a conservative savings bank had just made a loan



of \$4,000 upon the security of a mortgage on certain real estate which was set in the list at \$2,000. This was in a town where the average appraisal of real estate was seventy-five per cent. of its just value, so that assuming the savings bank loan was made on the usual basis of a two-thirds valuation, other real estate in the town was appraised at a rate at least twice that of this particular parcel, and the owner therefore escaped his just burden of taxes by paying in effect one-half the rate paid on other like property.

There can be no true system of assessment or appraisal that is not based on cash value. It is the natural basis for valuing anything and is more easily and accurately arrived at than any other. But whatever the basis of valuation, it must be fixed absolutely. If listers are allowed to depart from a fixed standard, each then becomes a law unto himself, and no two, except by accident, reach the same result. The true rule cannot be any better stated than in the statute: "its true value in money." The average of the assessed valuation of real estate in this state probably falls below seventy per cent. of its actual cash value.

The census bureau issued in 1907 a report under the title of "Wealth, Debt and Taxation", in which is given a comparative statement of the real and assessed value of property in the different states. For Vermont the report shows that the assessed value of the real estate is but a fraction more than seventy per cent. of its true value, and it gives very wide differences in the various counties. In the smaller of two farming counties the assessed value is less than fifty per cent. of the true value; in the larger it is about eighty per cent.

We find from statistics gathered by our agents that the assessed value of real estate in this state falls a fraction below seventy per cent. of its actual cash value, and this result was arrived at before we had seen the census report. These two estimates reached from entirely different standpoints, under entirely different circumstances, corresponding so closely, strongly support each other. They vary

somewhat as to counties but the difference in the general average is less than one per cent.

The amounts received from state school and highway taxes, respectively eight and five cents on each dollar of the grand list, are by such under valuation greatly reduced. In one town the amount of state school and state highway taxes that the state at large lost by the under valuation of real estate in 1907, was \$3,731. In a town adjoining the one last mentioned, not nearly as large, with an appraisal of its real estate at sixty-six per cent. of its actual value, the state in like manner lost of those taxes \$600.

By this under valuation the loss on the state school and highway taxes amounts to more than \$75,000 annually.

We are now only speaking of the under appraisal of real estate. The same evil exists in regard to the appraisal of personal property.

The evils mentioned are not all that the inventory statistics disclosed. In one town at least, no inventories could be found in the office of the town clerk, and none were in existence so far as we were able to ascertain.

Our statute provides that every person, except non-residents taxable only for real estate, shall procure a blank inventory on the first day of April, make full answers to all interrogatories, take and subscribe the oath contained therein and file the same with the listers.

Our agents in examining the inventories in the entire state found 113,000 on file, and of these only 3,632 were legal inventories.

The grand list books also contained the names of several thousand resident taxpayers for whom there were no inventories whatever on file. So that probably less than *three per cent.* of the resident taxpayers of this state filed legal inventories in 1907.

The statute also provides that if a lister accepts an inventory of a person not made out and sworn to as provided by law, or neglects or refuses to appraise and set in the list, as required by law, each item described therein, such lister for each such refusal or neglect shall forfeit to the

town in which he is a lister, the sum of two hundred dollars. In the year 1907 the forfeitures thus incurred by listers will amount to *twenty millions of dollars*.

The agents of this commission who examined the inventories were not particularly instructed to report specific instances of illegal inventories. Some, however, made special reports of unusual cases and from these and the regular reports we select some examples to show that these irregularities were not merely technical failures to comply with the law, but involved, in almost every town, incompetence, carelessness and negligence, and in many, favoritism, discrimination or dishonesty on the part of the listers. Thousands of inventories were found that had not been sworn to, and very many had not even been signed. In several towns the listers *guessed* that the taxpayers had nothing but real estate taxable, and therefore required and obtained no inventory, but simply set the real estate in the grand list, taking it from the quadrennial appraisal. In one city over a thousand "slips for real estate" were filed by the listers for resident taxpayers who, the listers assumed, would return nothing but real estate on their inventories and so required none, thereby violating an essential provision of the law. But this city was not alone in failing to obtain inventories of its taxpayers or to enforce the penalties for non-compliance with the law. In many other towns inventories were not required in such cases. Many inventories were found where not a single question had been answered, and where the name of the taxpayer had been entered in the filing space on the back of the inventory by the listers, the taxpayer's name appearing nowhere else on the inventory.

In one town, at least, the balance of offsets for debts owing over and above the personal property of taxpayers to the amount of several thousand dollars was deducted from the appraised value of the real estate. There were several instances where the signature of the taxpayer subscribed to the oath contained in the inventory was followed by qualifying words which rendered the oath nugatory. In one town where 1137 inventories were filed, 748 of them

were without either signature or oath, or both. In that same town the listers neglected or overlooked \$4,931 of personal property which was reported on the inventories for taxation, and of this sum \$4,500 was trust company stock. In many instances in this same town the residence of creditors was not given, but in answer to question 25 of the inventory relating to offsets, the answers were given "Market Bills", or "Wholesale Houses," without specifying the persons or places. In another town lists were sworn to by an "agent" or "attorney" though the taxpayers themselves resided and were in the town during the time when the inventories were delivered.

In numerous instances inventories were made up by the listers themselves without the signature or oath of the taxpayer, with only one or two questions answered, or none at all. This was especially true in one town in the case of estates of deceased persons. Many inventories in that same town had not a mark of any kind on the inside.

In many cases deposits in savings banks were not deducted from offsets allowed.

In a town having 396 inventories on file, eight were neither signed nor sworn to and no questions answered, 130 had only one question answered, and there were many where the lister had subscribed his own name as magistrate to the oath on the inventory, where there was no signature to the oath by the taxpayer.

In another town seventeen inventories were neither signed nor sworn to, sixty had but one question answered, and only six of all the inventories on file had four questions answered. In one city our agent reported: "Many of the inventories on file have no sign of an answer, or other mark inside; many were made up and even signed by listers themselves; there are three or four cases in which savings banks deposits were not deducted from offsets." In another town, ten inventories had no mark at all inside, ninety-two were simply signed and sworn to but not a single question answered. In some fifty or more towns the listers failed to assess all the personal property that was reported in the inventories.

In one town a wealthy corporation having more than \$200,000 in real estate and personal property filed no inventory; the only "inventory" (?) on file consists of a letter written by the stenographer of the president of the corporation saying in substance: The president is not at home but I have received a letter from him in which he says he thinks our list ought to be about the same as last year—\$600. That letter is on file as an "Inventory" in the town clerk's office. The town is poor with a high rate of taxation and by this transaction has lost from its list more than \$100,000.

One evil known to exist is that just before the first of April personal property is purchased without the state, not to be shipped into the state or paid for until after the first of April, so that the purchaser can offset the debt so contracted against his personal property in the state, which without that debt would be taxed here. To ascertain the extent of this evil we caused the following question to be inserted in the 1907 inventories:

"What amount of such offset is for personal property purchased by you but not in this state on the first day of April, 1907?"

This question was not answered very fully, but we caused our agents to investigate as to how many debts declared in offset were said to be due to creditors outside the state, and we found that about one-third of all the offsets allowed against personal property was for debts owing without the state, and although the list was far from complete the amount so reported was twelve million dollars in round numbers.

We find it is a custom with many merchants, in the month of March, to purchase merchandise on credit in New York, Boston, and other wholesale centers, ordering it not to be shipped until after the first day of April, and then offset the debt so contracted against their stock in trade or other personal property. One such case will suffice to indicate to what extent some men will go to avoid their honest share of the burden of taxation. A merchant, as shown by his inventory, had a stock of merchandise appraised at

\$4,000; he also had bank stock to the value of \$15,000. He swore in his inventory that he was owing for merchandise then outside the state over \$19,000 and so his stock in trade, \$4,000, and his bank stock, \$15,000, were wiped out of his grand list and he escaped paying taxes on any personal property.

Many inventories neither signed nor sworn to were accepted where the offsets claimed more than equalled the personal property of the taxpayer.

In no county in the state does the amount of taxable property returned by the town clerks to the secretary of state correspond with the amount of taxable property as shown by the inventories.

The foregoing instances are only a few of the many that have been found by us, all of which tend strongly to show that the administrative provisions of our present tax law are largely ignored and evaded by both the listers and the taxpayers.

#### EXPERIENCE OF OTHER STATES.

The resolution creating this commission authorized it to make investigation into the practical working of the laws of this and other states and countries, relating to the subject of taxation. We have spent considerable time in the examination of the laws of other states, as well as the several reports of commissions created elsewhere to investigate this subject. From these reports it appears that in most states the same evils exist relating to the appraisal and assessment of property that we have found in Vermont.

MINNESOTA. A commission appointed for the purpose of framing a new tax code, after enumerating the evils found in the system of this state says:

"Justice in taxation can never be even approximated as long as assessments are so inefficiently performed."

And it further says:

"In order to secure enforcement of the law you must begin with the assessor \* \* \* he must actually see and

value the property to be assessed. He must go upon every tract of land and report as to its condition."

Continuing to speak of the assessor and his duties, the commission says in substance: He must require every taxpayer to make out and file his inventory in accordance with law, and it will be impossible to compel listers in many towns to perform their duties according to law unless there is some supervisory board.

And so that commission recommended the appointment by the governor of a permanent tax commission for the entire state, consisting of three persons, not more than two of whom should belong to one political party, who should have complete supervision of the work of the listers in that state.

The commission also reports that in its investigation it visited Indiana, Michigan, Wisconsin and other states, where such tax commissions had been created, and that the experience of those states left no room for doubt, as to the wisdom of providing for a permanent tax commission.

This recommendation of the Minnesota commission was finally adopted by that state and a tax commission was appointed in accordance therewith.

Although it has already accomplished important results, the law has not been long enough in force so that we are able to report fully as to its workings, but it is practically like the Wisconsin law, which in that state appears to work admirably.

MISSOURI. In this state a special commission was appointed in 1903 to investigate this subject and report. It says:

"There is an absolute want of equality in taxation in Missouri caused by the absence of any uniform rule throughout the state for assessing property. \* \* \* That some counties contribute more than their share to the state expenditures, while others are charged with less than their share. \* \* \* It is within the bounds of truth to say that no two counties in the state have the same rules for the assessment of all classes of property. \* \* \* Some counties valued their real estate as low as thirty per

cent. of its selling price, while others have a ninety per cent. basis."

In its recommendations the Missouri commission says:

"Some twelve or more states have within recent years established the office of State Tax Commissioner, and it would be well for this State to create that office. \* \* \* The commissioner should be given large supervisory powers over local assessors. It should be his duty to visit different counties and towns, advise, confer with and instruct the assessing officers, to inspect the work of assessment and see that the proper basis of valuation is adopted and enforced."

In other words that he should be the supervisor of all matters of taxation. It says further:

"In other states the results of this supervision have fully justified the creation of the office and the increase in the revenue has been far greater than the expense incurred. The local assessors have been more efficient; the amount of property listed for taxation has been greatly increased, and the inequalities and discriminations have at least been reduced."

In concluding its recommendations, the Missouri commission says:

"The commission believes that the most important recommendation it can make, and the best thing that can be done to improve our tax system under our constitution is to create the office of Tax Commissioner with broad supervisory powers over local assessing officers and boards, as above suggested."

MICHIGAN. Governor Pingree, in his message to the legislature of Michigan, December 31, 1900, referring to a law creating a tax commission in that state in 1899, says:

"When you are thoroughly familiar with the results of its (the commission's) work, I know you will confirm the statement which I have heretofore made in this message, that the law creating it (the commission) is the most important one ever enacted by a Michigan legislature."

And he submits a table showing the difference in assessments of property for the year 1899, before the com-



mission commenced its work, and for the year 1900, the first year of its work.

He says:

"The result of only one year's work of the Tax Commission has raised the appraised valuation of property in Michigan nearly three hundred and fifty millions of dollars."

INDIANA. The state of Indiana has established a state tax commission which annually holds conventions of all the assessors of the state, and has a general supervisory power over the assessments in the state. After the act creating this commission took effect, Jacob P. Dunn, State Librarian of Indiana, wrote an article reviewing the workings of that law.

He says:

"I have heretofore shown that the chief evil of our old tax system was in the failure to secure an enforcement of the law as to assessments on fair cash value, and the necessary result of inequality between counties of the state and the townships of each county, and the individuals of each township. The rectification of this evil was the chief purpose of the new law; and to that end every step in appraisal was guarded as carefully as possible."

Further, he says:

"The operation of this new law in Indiana has greatly increased the grand list and has tended to equalize the appraisal throughout the state."

WISCONSIN. For several years the State of Wisconsin has had a state tax commission. It did not until 1905 have the supervision of the assessment of property in that state. The law was then so amended that the commission was obliged, upon complaint of any person or town, to make reassessments and was given a general supervision of the assessors of the state. The commission is now at work under this statute, revaluing and supervising the valuing of all property in that state. Its work has resulted in a very material increase in the assessed value of property in the aggregate and also in great changes in the relative valuations placed upon the property

of individuals, and is meeting with the hearty approval of the taxpayers of Wisconsin.

In every state where a state tax commission, with authority to supervise and control the local assessors, has been created, it has been, so far as we can learn, a success. In no state that has adopted this system has there been any indication of a desire to return to the old system or to curtail the power of the centralized state tax commission.

### STOCK IN PRIVATE CORPORATIONS.

There is another class of property that under our present laws largely escapes assessment, and that is stock in private corporations.

Section 517 P. S. provides:

"Returns by officers. The cashiers of banks organized under the laws of this state or of the United States, and the executive officers, by whatever name called, of steamboat and transportation companies, trust companies, moneyed and other corporations, except railroad corporations, whether taxable under this chapter or otherwise, shall annually, on or before the fifteenth day of April, transmit to the clerk of each town in which shareholders in such corporations reside, a list of the names of such shareholders, with the number of shares standing in the name of each on the first day of April and the amount paid in on each share, and shall, in like manner, transmit to the clerk of the town where the corporation has its principal place of business, a list of all the shareholders of such corporation with the number of shares standing in the name of each and the amount paid in on each share."

Bank officials we think, universally comply with this law. With this exception, it is "more honored in the breach than in the observance." Many corporations make neither of the returns required by this statute, although the penalty for non-compliance is a fine of not more than five thousand dollars.

Your commission issued a circular letter making inquiries of the corporations of this state, some ten hun-

dred, and we received answers from about four hundred, less than one half of them. There was no law compelling corporations to answer our questions, and many of them left our communications unnoticed, so that we were unable to gather the statistics as to their financial condition which we desired. We wish to express our appreciation, however, of the courtesy of those who did send in complete answers. We are satisfied that there are a considerable number of corporations in the state whose stock escapes taxation almost entirely because the executive officers do not comply with the statute above quoted and the listers in the various towns have no knowledge who the owners of the stock are.

Further than this, Sec. 502 P. S. provides:

"Deductions in assessing for stock. In assessing stockholders for stock in a manufacturing, mercantile or trading corporation, the value of its real estate taxed in this state or elsewhere and the value of all its personal estate and machinery taxed to such corporation in this state under subdivision one of section five hundred and ten, and of personal estate taxed outside the state, shall be deducted from the whole value of its stock, and the remaining value only shall be taxed; and, in assessing for stock in all other corporations, the value of its real estate taxed in this state or elsewhere shall be deducted from the whole value of its stock, and the remaining value only shall be taxed."

A corporation may be located remote from the town where some of the stock is held, and the listers there have no information as to the real condition of the corporation or the value of its stock, or as to the value of the real estate and personal property which should be deducted from the appraised value of the stock. This results in injustice and inequitable taxation of the shareholders of those corporations, while many of the shareholders escape taxation altogether because of the failure of executive officers of corporations to comply with the provisions of the statute above cited.

We believe this evil, as well as those arising from the careless and imperfect listing and unequal and unjust ap-

praisals of property hereinbefore set forth, can be remedied by the establishment of a permanent state tax commission, with powers similar to those of commissions in other states. We now have the office of Commissioner of State Taxes, the incumbent of which is principally charged with the duty of collecting taxes from corporations. Experience has demonstrated that faithful work in this department, coupled with the changes in the law upon the subject which have been made from time to time, has resulted in a material increase in the state's revenue in late years.

We are confident that the duties required of the proposed state tax commission, and those now imposed upon the Commissioner of State Taxes, can all be performed by the same department of government.

#### STATE TAX COMMISSION, CENTRALIZED CONTROL.

We therefore recommend that a STATE TAX COMMISSION be created, consisting of three persons, who shall devote such part of their time to the work as may be found necessary, the Commissioner of State Taxes to be the chairman of this commission.

This commission should have, among others, the following powers:

To exercise full control of all administrative matters relating to taxation for state purposes, with full supervisory powers over all local assessments and authority to correct and equalize the same when found necessary.

To supervise the listers and their work.

To appraise the stock and bonds of domestic corporations and to compel such corporations to make full return to it of all facts necessary for such appraisal and also such other facts as will enable the commission to perform any other duties in respect to corporations that may be vested in it by the legislature.

To formulate blank inventories for each year to be used by the individual taxpayers, which duty is now performed by the Secretary of State.

The last mentioned work could be better performed by the proposed tax commission than by the Secretary of State, because the commission would annually learn through official sources, what, if any, changes were necessary in these blank inventories to obtain the information required from the taxpayers, while the Secretary of State has no official knowledge as to whether such inventories are sufficient or otherwise.

The existence of such a commission will provide the legislature with an instrumentality through which it may always gather requisite facts and statistics required for intelligent enactments upon the subject of taxation.

We share in the universal sentiment in our state against the creation of unnecessary commissions. Where, however, there is necessary work to be done which can be accomplished in no other way than by a commission, the objection loses its force. We believe the experience of other states fully warrants Vermont in enacting this law. The income to accrue from state school and state highway taxes will be largely increased under the administration of such a commission, and we have no doubt its expenses will be many times repaid by the increased revenue to the state from these two sources alone. It will also tend to bring about an equal valuation of taxable property in all the towns, and as between individuals of the same town. Many of the listers of this state are incompetent, many are careless, some of them are elected to the positions which they hold by reason of politics or favoritism. But whatever may be the conditions in these respects the listers all need and should have the supervision of some central board vested with authority to compel them to perform their legal duty.

Taxation can never be just unless it is equal. It can never be equal in this state under the present system of assessment by local boards of listers under no control, with no equalizing board, and with nothing but local interests to bias or control them.

## LISTERS, ELECTION, TERM OF OFFICE.

While we are confident that the establishment of the proposed permanent tax commission will result in a much better enforcement of the law and produce greater equality in appraisals, and in the apportionment of the burdens of taxation, yet, whether or not this is done, our present law needs some amendments which we believe will also tend to produce like results.

The revenue required to meet the expense of administering our municipal affairs is derived chiefly from a *property* tax. The equality of this tax depends largely upon the assessors.

Everyone understands that in order to get a *legal* tax, certain statutory requirements must be observed in making up the grand list; but few seem to realize that in order to secure a *fair* and *just* tax, wisdom, good judgment and honesty are required of the lister who does this work. Many people appear to entertain the idea that the office of lister is of no importance. This is a grave mistake. The lister is one of the most important officials connected with the administration of our municipal affairs. He should have knowledge of the value of all live stock, farm produce, merchandise, machinery of all kinds, marble, granite, and jewelry, as well as of the various lines of raw material in the process of manufacture. He should also be versed in real estate values, for besides the quadrennial appraisal, he is required each year to determine the value of buildings erected, and repairs made, as well as depreciations caused by fire, flood, the removal of timber, etc. If the taxpayers could realize to what extent the equality and amount of their taxes depend upon the action of the lister, this office would be more wisely looked after. While this is a problem that can be dealt with only by the voters in each municipality, present conditions can be improved by changing the term of this office from one year to three. It stands to reason that a man will be better qualified to do this important work with the experience derived from one and two years' service. There should be two experienced men

on the board at all times. We believe, too, that this change will induce greater care in selecting men for this office. These officers should be chosen by ballot. We all lack, to a greater or less degree, the courage to openly oppose a friend or neighbor although fully aware that he is incompetent for the position to which he aspires. Greater freedom and independence of action always come with the use of the ballot.

### SEPARATE APPRAISAL OF BUILDINGS AND LAND.

What we have already said with reference to the failure of the listers to appraise real estate at its just value in money, leads us to the conclusion that this standard of appraisal, which is the only one the law recognizes, would be more completely and uniformly attained if our present law should be so amended as to compel the listers to ascertain and state separately the value of the land and the value of the buildings thereon instead of appraising them both together as is now done.

Of course no law will enable us to dispense with the service of efficient men, but if this method of appraisal is adopted incompetency and dishonesty will be disclosed.

It would certainly have a tendency to break up the method, now largely practised in making up the quadrennial appraisal, of simply ratifying the valuations fixed four years previously. The lister will be required to rely and act upon his own judgment, and go through the mental process of placing a valuation upon the integral parts in order to obtain the aggregate. Incompetency will be exposed in a way that is impossible when the lister is not obliged to show the steps by which he reaches his conclusion as to the value of the property as an entirety. This method would also lead to a more nearly equitable appraisal of vacant lots as compared with the appraisal of similar improved land.

Other states have similar laws, and some of the larger cities in New York are using this method of determining the value of real estate. New Jersey adopted this system for use

in its larger cities in 1892. Its immediate results are shown by the report of the state board of taxes for that year. It said, "The effect and wisdom of the statute and rule adopted and promulgated may be judged from the following facts gathered from the assessors, and the result of their work in those cities in which the rule was made to apply. 'The assessments in the city of Trenton have been made by separate valuations of the land and improvements for several years, and the assessments as actually made in the city of Trenton, as developed on appeals in which the city of Trenton has been a party, together with the testimony of the board of assessors, amply demonstrates to their citizens that such a system is the only proper one for the assessment of real estate in our municipalities. *By such a system, the mere mechanical copying of the duplicates by clerks, and calling it an assessment of the property for several succeeding years, is impossible.*'" In 1898 this system was adopted for the entire state.

The New York state board of assessors, in its report of 1879, said, "Whether lands are assessed every year, or once in three years, in order to ascertain the correct value, it is indispensable that the land and improvements on the land, in city, village, and *country* should be assessed and valued separately. The law should require this of all assessors and tax commissioners. Every man should know what his house, store, building of any kind, is assessed at, and at what his lot and land are assessed, separate from improvements upon them. This is now the rule of assessment in the city of Buffalo and some other places in the state. It ought to be the sole and uniform rule. Then would assessments be more equal and just, and good cause for complaints against the assessors cease."

Another commendable feature of this system of valuation of real estate as adopted in other states and cities is the publicity given to the work of the listers. Their valuations are all open for public inspection. We think they should be, for in spite of the best law that can be framed, discriminations will be made unless there is adequate publicity.



Such a law would, to some extent, add to the work of the listers, and also occasion the unqualified official some embarrassment, but these objections are of no importance if we can get as satisfactory results as those obtained in other states where similar laws are in force.

#### PUBLICITY OF INVENTORIES.

Publicity in the work of the listers should not stop with the appraisal of real estate. We believe that the inventory of each individual taxpayer should be placed on file and be open to public inspection before the grand list is completed. This would invite attention to and scrutiny of the property returned for taxation by each taxpayer, as well as to the valuation placed thereon by the lister, and thus enable each taxpayer to compare his own assessment with that of his neighbors. If each taxpayer understood that his sworn inventory was to be open to the eyes of the public, we believe that much property that now escapes taxation would be brought to light. The lister, too, would undoubtedly exercise greater care in his work, if he knew that it was open to public examination and criticism. It is this cloak of secrecy that affords the dishonest taxpayer an opportunity to commit perjury with impunity, and there is no good reason for it. The idea that it is nobody's business what a man pays taxes on is a mistaken one. The law affords all citizens equal protection, and the expense of administering it should be borne equally by all.

Every citizen has a right to know whether or not his neighbor is bearing his just proportion of this burden. Ex-President Harrison, in an address delivered by him in Chicago in 1898, said, "We have too much treated the matter of a man's tax return as a personal matter. We have put his transaction with the state on much the same level with his transactions with his banker, but that is not the true basis. Each citizen has a personal interest, a pecuniary interest, in the tax return of his neighbor. We are members of a great partnership; and it is the right of each to know what every other member is contributing to

the partnership and what he is taking from it. It is not a private affair; but a public concern of the first importance." We believe that with this publicity dishonest valuations will be practically unknown, and incompetency, wherever it exists, will be exposed.

There certainly can be no reason why the honest taxpayer should object to this publicity if the offset feature of our present system is repealed.

#### INVENTORIES, DUTIES OF TAXPAYER, POWER OF LISTERS.

It is not our purpose to unjustly censure the listers. The work required of them is important, and in many instances extremely difficult. The time within which they are required to complete their labor is so short that in the large towns and cities they are necessarily forced to do their work hurriedly, and with less care and attention than should be given to so important matters. The grand list must be completed within a certain time, or it is worthless. The ground must be covered in some way, and the list completed within the time limited. This work could be lessened very much if the individual taxpayer would do his part,—do at least what the law has a right to expect of him. Our statute requires that every taxpayer, except certain non-residents, shall, on the first day of April, fill out and make oath to his tax inventory, and deliver the same to some one of the listers. This is seldom done. Few persons take the trouble to procure the necessary blank, and few ever think of filling it out ready for the lister's use when called for. The lister is often expected to act as scribe for each individual. This practice has prevailed so long that it is doubtful if the taxpayer can be made to realize and perform the duties imposed upon him without some radical change in the system of gathering inventories. A change which will give the taxpayer to understand that he really has some duty to perform should be inaugurated. There is no reason why the listers, whose time is otherwise required in their work, should be compelled to do the clerical work of writing up three or four thousand inven-

tories, as is now the practice in several of our larger towns. It is suggested that our inventories are so complicated that the ordinary taxpayer is not able to fill them out. This is not true. The ordinary taxpayers in this state are the farmer and wage earner. It is an injustice to them to suppose that they haven't sufficient intelligence to know how many horses, swine, watches, and pianos they have, or how much money they have in savings banks, or who owes them, and to what extent. It is not usually the ordinary taxpayer who finds difficulty in filling the inventory. It is the tax dodger who desires to escape his share of the burden of taxation, who makes the most complaint. Practically all the taxpayers in this state can read and write enough to describe the property they own, and those who cannot should procure the aid of some one besides the listers to assist them. The law does not contemplate that the lister shall act as the legal adviser of every taxpayer in a community upon the subject of his inventory, and there is no reason why they should be called on, or expected, to do the clerical work of preparing each individual inventory. Nevertheless the inventory should be as plain and simple as possible and some of the recommendations herein made, if adopted, will produce that result.

Under our present law, the town clerks obtain the blank inventories previous to the annual March meeting, at which time they are required, with the aid of the listers, to distribute the same among the taxpayers present, and furnish blanks to certain others, not present, in the manner pointed out by the statute. Every taxpayer not furnished with an inventory at that time can procure one from the town clerk in the town where he resides any time during that month. He should be required to do this, and to properly fill out such inventory and return it to one of the listers during the first ten days of April. This gives him more than a month in which to procure, fill out, and return his inventory, so that it imposes no hardship upon him. The inventories of non-residents can be returned by mail during the same time. It is true this would not obviate the necessity of the listers going over much of the territory, but with the inven-

tories thus prepared, their work could be more quickly accomplished, and we believe with better results. Connecticut has a similar law which seems to be giving excellent satisfaction.

If a person wilfully neglects or refuses to make out and file his inventory within the time, and in the manner indicated, his list should be made up by doubling, or by doubling and assessing, or assessing, in the same manner as now provided by law, and this should be made mandatory upon the listers. The authority that the listers now have to reject inventories which they have sufficient reason to believe do not contain a full, true and accurate statement of the taxable property of the persons returning the same, should be retained. In all cases where lists are made up by the listers the same notice thereof should be given to the taxpayer and the same proceedings had thereafter as are now provided by law in such instances.

The listers should be given authority, if deemed necessary by a majority of them, to compel any person to appear before the board and give evidence under oath relative to his own inventory and property or that of any other person, and for this purpose they should have the same authority to issue subpoenas, and administer oaths, that justices of the peace now have.

#### PAYMENT OF TAXES, PENALTY FOR DELAY.

Your attention is called to the provisions of our statutes allowing discounts on certain taxes if paid within a time named. The only object that could have induced any of those enactments was to furnish an incentive to the taxpayer to pay his taxes promptly, and we think this has been the result in most instances. There are in some towns, quite a large number who do not avail themselves of the opportunity to get this deduction. The taxpayer who neglects to pay his tax for months or years after the time within which the deduction can be obtained, pays little penalty for his delay, as he can escape at any time by paying the face of the tax with a small fee for

collecting, no interest being charged him, and the prompt taxpayer is therefore really the man who is punished.

We think better results will be attained if some provision is made whereby a certain per cent. shall be added to all taxes remaining unpaid after a certain time; and we recommend the enactment of a law repealing all existing provisions on this subject and providing that to all taxes remaining unpaid for the first sixty days or any part thereof after the expiration of the time fixed for the payment thereof, a penalty of two per cent. of the tax be added; that for all taxes remaining unpaid for a further period of sixty days, or any part thereof, an additional two per cent. of the tax be added, and that for each delay of thirty days, or fraction thereof, after the expiration of the second sixty day period, one per cent. of the amount of the tax be added; and in all cases, where the tax is collected by a collector upon the treasurer's warrant, the same fees be paid to the treasurer and collector respectively as are now provided by law.

We believe, also, that the best results in the collection of taxes will be obtained by making them all payable to the treasurer of the municipality in the first instance, and therefore recommend that the law be amended to insure this result.

#### APPRAISAL OF EXEMPT REAL ESTATE.

There is a feeling that too much real estate escapes taxation under the various exemption provisions of our law. There seems to be no general sentiment against any particular class of such property; and there are widely varying views as to what property should go untaxed. The inquiry is, what is the valuation of this or that class of exempt property. No one can make even an approximate estimate because such property has never been appraised, or at least not for years. We recommend the enactment of a law requiring that all real estate now exempt from taxation under the various provisions

of the statutes be fully and fairly appraised at its just value in money in connection with the next quadrennial appraisal; that in making this appraisal the valuation of the land and improvements thereon be separately made and stated; that the listers appraise each piece of such property separately, and report the name of the owner, for what purpose the property is used, and the provisions of law under which each parcel is claimed to be exempt.

### DOUBLE TAXATION.

The one evil in our present system of taxation which is more condemned than any other, and probably more than all others, is the so-called double taxation feature.

In its simplest sense double taxation denotes the taxation of the same person or the same thing twice for the same object. This result may be produced in different ways, which we deem it unnecessary and unprofitable to discuss at this time. A common instance of what is generally called double taxation, whether so or not, and the one most frequently referred to by the taxpayers of this state, arises in the case of the real estate mortgage, and more particularly the farm mortgage.

As the law now is, the owner of the farm is required to pay a tax upon its assessed value, and the owner of the mortgage debt against the farm is also required to pay a tax upon the assessed value of such debt, which constitutes in a sense his interest in the farm.

It is quite commonly urged that in such a case the borrower is compelled by the lender to pay, by way of an increased rate of interest, the tax which is assessed to the lender upon the investment. It is doubtful if any question in taxation has resulted in more controversy than this. We do not desire to take the space necessary for its careful discussion here. We express the opinion, however, that the tax on capital loaned is not, as claimed by some, universally and entirely shifted to the borrower. We do not believe the tax on this sort of capital in Vermont is wholly or chiefly paid by the borrowers, nor do we believe that the

benefit of a removal or reduction of the tax would all or chiefly accrue to the borrower.

It is true, however, that the mortgagor has no relief from the payment of the tax upon the full assessed value of his mortgaged real estate. If he has personal property, subject to taxation, he may, under our present system, offset such indebtedness against his personal property. If, however, he owes other debts equal to the value of his personal property, as is often the case, he does not in effect receive any benefit because of his right to offset the real estate mortgage indebtedness against the assessed value of his personal estate.

It is not strange that the farmer believes that he suffers from double taxation from which he ought to be relieved. There is no reason, however, why the farm mortgage should receive any special prominence in this connection, except that it is most commonly discussed, and we do not suppose there is a farmer in this state who would contend for a moment that his mortgage, or that of his neighbor, should be treated differently from any other real estate mortgage.

Neither is there any reason why the mortgage upon either real or personal property, which is merely a security for debt, should be given the prominence it receives by the average taxpayer when referring to the subject of double taxation, except that the popular mind fails to discriminate between the debt and mortgage. It should be borne in mind that it is the *debt* that is taxed. The *mortgage* is never taxed in this state. The burden of this so called double taxation is the same whenever the borrower pays taxes on the full assessed value of the property for which he is owing, whether the debt is or is not secured by a mortgage.

Neither is there any logical reason why we should pause here in the consideration of this subject. If the real estate owner is to be relieved from paying this tax, why should not the owners of other property receive like treatment? The merchant borrows money with which to buy

his stock of goods, or buys it on credit, which is the same in effect. The manufacturer conducts his business in the same manner. The stock of goods or the raw material, except for the offset privilege, would be taxable to the owner at the full assessed value, although he might owe largely therefor, and the credit in turn would be taxed to the creditor.

Other instances might be cited, but these are sufficient to make it apparent that this condition necessarily exists whenever a successful attempt is made to directly tax credits as property, without making corresponding reductions in the assessment of the property of the debtor irrespective of whether the credits are represented by book accounts, notes, bonds or any other evidences of debt, or whether the same are secured by mortgage or the obligation of some third party or are unsecured. Every such evidence of debt must necessarily be represented by tangible property in the hands of some other person, which is everywhere subject to some kind of tax.

Whether or not this condition constitutes double taxation is of no particular consequence to the person aggrieved. It is a condition which exists, and so far as it is unjust, ought, if possible, to be remedied.

The remedies most generally suggested in this state to relieve the burden of taxation in the case of mortgaged real estate are:

(a) The exemption of real estate mortgages from taxation where the rate of interest agreed upon is below a certain arbitrarily fixed per cent.

(b) The apportionment of the taxes on mortgaged real estate between the mortgagor and mortgagee in proportion to their respective interests; the debt to be otherwise exempt from taxation.

We cannot recommend either of these plans, even if satisfied, and we are not, that they would produce the desired results, because, as already indicated, we can see no logical difference, for the purposes of taxation, between an indebtedness secured by a real estate or chattel mortgage and any other indebtedness whether secured or unsecured.



As to the first proposed remedy :

It would be difficult, if not impossible, to determine a correct arbitrary rate at which money should be loaned in order that it should be exempted from taxation. The rate of interest which capital can command is always governed by the law of supply and demand. It is a matter of common knowledge that when money is scarce the rate of interest is necessarily higher than when there is no particular demand for it.

Our investigation shows that the rate of interest varies in different parts of the state, so that what might be a just and fair rate today in one locality might be more or less than asked or received in another locality; and the rate might be more or less today than six months hence. Yet, under this proposed method of taxation, the rate fixed by the legislature would necessarily remain the same for two years regardless of conditions arising in the meantime.

Another quite as serious objection would be the inducement arising from changed conditions to legislate upon this interest rate. There would exist a constant feeling of uncertainty. Neither the borrower nor the lender would know what the next legislature would regard as a proper rate.

Beyond this, we do not believe that it is a proper function of government to use its taxing powers to induce capitalists to loan money to one class of borrowers at a lower rate than to another class. Such legislation would necessarily tend to raise the rate on loans to borrowers not belonging to the favored class. We see no better reason why a person should be allowed an exemption from taxation on money loaned at four or four and one half per cent. with chattel or real estate mortgage security, than on money loaned without such security.

It must be apparent that such a law would operate to discriminate against the borrower who has inadequate security or no security at all. Assuming the rate to be fixed at four per cent. the borrower, with adequate security, would doubtless be able to borrow money at that rate. The borrower whose security would only command a loan at the

rate of four and a half per cent., would have to pay the additional one-half per cent. of interest, and if he were compelled by the creditor to include in the interest the tax on the loan, which on the average is not less than one and one-half per cent., he would suffer a discrimination of at least two per cent.

A case of this sort where the law discriminates in the taxation of loans of different classes is an instance where the tax is almost inevitably shifted to the borrower. We believe this is an unwarranted discrimination against the poorer of the borrowing classes.

Another reason why we do not favor this proposed remedy is that it could by no possibility affect more than a small proportion of debts secured by mortgages on Vermont real estate.

In this state, the total indebtedness of this character approximates fifty millions of dollars. Of this, about eleven and one-half millions, are held by Vermont savings banks and kindred institutions; nine and one-half millions by individuals resident in the state; nine millions by non-residents; and the balance consists of large mortgages against corporations, mostly held by non-residents.

Obviously the last two classes would be unaffected by the proposed law. The first class might be affected or not according as the law might provide. In any case, it could only cause a saving of seven-tenths of one per cent. to the mortgagee (or less if the law is amended as elsewhere proposed) which would in no case lead the banks to make a reduction of one and one-half per cent. in interest rates.

Of the amount loaned by individuals resident in Vermont, much is loaned by residents of towns whose tax rate is considerably less than the reduction they would be required to make in the interest rate in order to secure the exemption of the loan, and consequently they would have no inducement to accept the provisions of the proposed law. Thus, assuming the present interest rate to be six per cent., persons living in towns, some ten in number, where the tax rate is one dollar or less, net at least five per cent. on their loans. They would therefore lose one-half of one per cent.

or more by loaning at four and one-half per cent. even with the loan exempt from taxation. The same principle applies to residents of all towns in the state, some one hundred in number, where the tax rate is less than one dollar and a half. Clearly also the rate of interest is influenced by the supply of and demand for loanable capital, not loaned on mortgage, but loaned without security or on personal endorsement. So far as we know this plan has has never been tried or even seriously proposed in any other state or country. If adopted it would be a leap in the dark.

Our conclusion is, therefore, that the enactment of the proposed law could in no case affect more than a very small proportion of the mortgage debts of Vermont. Under these conditions, it is impossible for us to predict its exact effect on interest rates, but we believe it would be entirely different from what its advocates expect. The most probable result, we believe, would be numerous evasions of the law, however strictly it might be safeguarded, by payment of commissions, bonuses, etc., by which the state would lose its revenue and the mortgagors at best receive only a portion of the relief intended, in many cases none of it.

As to the second proposed remedy, the apportionment of the tax between the mortgagor and mortgagee:

If the mortgagee's interest in the mortgaged property is to be taxable to him in the town where the property is situated at the local rate, and no other rate could be adopted, a very striking reason for not adopting this plan suggests itself. The tax rate varies in the different towns in the state from sixty cents to \$3.80, so if the capitalist is to be taxed on his loan in the town where the security is situated, it will be seen at a glance that the man living in a town burdened with while he is quite as much in need of it as those living in a tax rate of \$3.80 will be wholly unable to borrow money, towns with a lower rate of taxation. There are many towns in the state where the tax rate is \$2 or more. This would leave the capitalist only four per cent. or less on his loan, and his money would go into the savings bank or out of the state rather than be loaned in towns with a high tax rate.

It must be perfectly apparent that under such a system of taxation it would be practically impossible for a person residing in a town where the tax rate equals \$2 or more to borrow money, unless it were done clandestinely and the loan never returned for taxation. There would be an immediate demand for call money now loaned in such towns, resulting in the financial ruin of many borrowers. Of course the borrower might and probably would assume the tax but this would defeat the object of the law.

Experience shows that such laws, even where the conditions suggested do not exist, are of doubtful benefit to the mortgagor. Assuming that the information which we have obtained relative to their results is correct, such laws generally fail to relieve the borrowing class.\* In common practice the borrower contracts to pay the taxes which the law contemplates shall be borne by the lender, and the interest rate is not reduced. While some laws attempt to prevent this arrangement, they have generally failed.

We do not believe the remedies suggested will give the borrower any appreciable relief.

As bearing somewhat upon the burden of taxation actually borne by mortgaged real estate, certain other facts should be considered. The tendency is to appraise real estate at less than its true value which will always to some extent minimize the evil under discussion.

Again, competent authorities upon the subject of taxation assert, and we think with much reason, that where a tax on real estate is reasonably uniform and universally believed to be permanent, the purchaser takes the property in a sense free from the tax, because by the operation of economic laws, the tax becomes capitalized and is in effect deducted from the purchase price of the real estate whenever it is sold, or to put it in another way, in determining the values of real estate, the fixed tax rate against the same has the effect of an incumbrance upon the land, similar to an annuity charged thereon, thereby relatively decreasing its value.

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\* See discussion of the effect of the Wisconsin Law on interest rates by Prof. Adams in a recent number of the Quarterly Journal of Economics.

The difference in the selling price of real estate in some of our towns with a heavy debt and a high tax rate, as compared with the price of real estate in more favorably situated towns, illustrates this principle.

It follows, therefore, that a reduced rate of taxation upon real estate would increase the selling price thereof, would benefit the present owners rather than future purchasers, and would not enable a poor man to buy and pay for a farm in Vermont more easily than he can at the present time, because, although the tax rate might be less, the purchase price and the subsequent assessed value thereof for taxation would be more.

It may be claimed that in what we have said on this subject, we are attempting to show that the proposed remedies are inadequate without suggesting a cure ourselves. So far as the taxation of property and the taxation of a debt against it, whether secured by a mortgage or not, is double taxation, we concede the correctness of the claim.

To entirely cure this trouble, we know of but two remedies:

1. Tax only tangible property.
2. Allow offsets to apply to real as well as personal estate.

We cannot recommend either, believing the conditions resulting therefrom would be worse than those now existing.

There are good reasons for imposing a tax upon intangible property, and it seems to us that such property is equally bound to pay its just proportion of the expenses of government. It has long been the policy of this state to tax this class of property, and we see no sufficient reason to depart therefrom. The important question is, what is its just proportion, and this will be discussed later. We do, however, believe that with offsets abolished, with some plan adopted that will result in intangibles paying their fair proportion of taxes, and probably of more importance than either, with an honest, vigorous enforcement of the tax laws, this evil will be minimized to a degree greater than by the other proposed remedies.

Double taxation has been considered the farmers' special grievance, but in our judgment a greater injustice to the farming class is caused by the methods adopted in the taxation of personal property. The evil of double taxation, as we have endeavored to point out, does not injure the farming and real estate interests of the state to any such extent as current opinion indicates. Our investigations also fail to support the belief that there is a general over appraisal of farms and under appraisal of other real estate. There is undoubtedly a vast amount of injustice in our real estate appraisals, but it does not follow the line of division between agricultural and other lands.

But, as to personal property, a real and great injustice is inflicted from the fact that the farmers' taxable personal property, both tangible and intangible, is generally taxed, while that owned in villages and cities largely escapes. Thus, according to the federal census (See *Wealth, Debt and Taxation*, p. 37) the total value of live stock in Vermont in 1904 was \$22,585,624. In 1907 the tax inventories returned live stock to the value of \$16,507,170. On this basis, ignoring the three years' possible variation, *seventy-three* per cent. of the value of the live stock of the state was actually listed. Of all tangible personal property in the state the census gives the value in 1904 at about 119 millions, while the amount listed in 1907, was a little over 37 millions or about *thirty one* per cent.

The classification of the census statistics is so different from that of our tax inventories that a comparison of the items is impossible. It should be stated that the 119 millions includes coin and bullion held by banks which is not directly taxed. But the deduction to be made on this account would not materially affect the percentage.

We are unable to give any statistics as to intangible personal property.\* We believe however a similar injustice exists there. The farmers' intangible property is commonly deposited in savings banks or loaned on mortgages on Ver-

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\* The census of 1900, unlike the census of 1890, takes no account of intangible property. This omission was on the ground that debts do not affect the aggregate value of property but only relate to ownership.

mont real estate, forms of investment usually reached by our tax laws.

The correction of this evil, which we believe to be largely possible, will be of the greatest benefit to the farming class.

### OFFSET, EVILS, REPEAL RECOMMENDED.

In our opinion a vicious feature of our present law, and one which results in more well founded complaints as to the operation of the law than any other, is the offset system. The law as to offset is now substantially as enacted in 1880. It permits a taxpayer to offset against the assessed value of all his taxable personal estate the amount of debts owed by him, diminished by the value of his personal estate exempt from taxation, if any, provided he states the necessary facts relating to the offset claimed.

This provision of law does not exist in many other states. "Wealth, Debt and Taxation," at page 622, classifies the states in this regard as follows:

"Debts may be deducted from credits, or from money and credits, or from money and interest:

In Arizona, Arkansas, California, Colorado; if liable to be assessed and set in the list of creditors, in Connecticut; in Idaho, Illinois, Indiana, Iowa, Kansas, Maine, Massachusetts, Michigan, Minnesota, Montana, Nebraska, Nevada, New Hampshire, North Carolina, Ohio, Rhode Island, South Carolina, South Dakota, Texas, Virginia, Utah, Washington; average amount during year, in Wisconsin; in West Virginia and Wyoming.

Debts may be deducted from personal property:

In New York, Rhode Island and Texas, from certain items only, in Vermont and West Virginia.

Debts may be deducted from all property:

In New Jersey."

From the foregoing, it appears that but five states, aside from Vermont, permit debts owing to be offset against tangible personal property.

The brief history of taxation in this state already given shows that the law permitting offsets to be made against all taxable personal property, was first enacted in 1842, but the stringent provisions of the present law on the subject did not appear until 1880.

Under this law, taxpayers, except non-residents taxable only for real estate, are now required to answer, under oath, searching inquiries as to their taxable property, and seemingly every precaution is taken to avoid uncertainty and evasion respecting the returns of each taxpayer as to the kind and class of his taxable estate and his offsets, if any.

The usual results, which experience shows will follow the enactment of drastic laws designed to reach all classes of taxable estate, occurred in Vermont. When this statute first went into effect, the assessed value of real estate increased from \$71,114,747 in 1880 to \$102,437,102 in 1881 and the assessed value of personal estate taxed from \$15,037,262 to \$46,896,967. Since that time the assessed value of real estate has steadily increased, and in 1907 was \$139,709,702, but the assessed value of personal property taxed has diminished, and in 1907 was \$44,138,368. Its highest appraisal was in 1887 at \$50,060,171 and its lowest in 1900, \$40,884,193.

It surely cannot be doubted that the value of taxable personal property in the state has largely increased since 1880 and therefore the fact that the amount thereof now taxed, is over \$2,000,000 less than it was then, is startling.

During this period the assessed value of real estate has increased 35 per cent., and the *assessable* value of personal estate must we believe have increased in a greater ratio.

The only conclusion that can be drawn from these facts is, that the debts of the taxpayers have so increased that the increased value of personal property has been thereby overcome, or there is evasion, concealment and fraud practiced by the taxpayers. We have no doubt the latter is the case, and we believe that, with the business prosperity we have enjoyed since 1880, there have been added to the



personal property of the state many millions of taxable estate which the law as administered now fails to reach.

It is common knowledge that great frauds are practiced under the offset system; fictitious offsets are frequently claimed and allowed and offsets are often created for the express purpose of avoiding taxation. Every lister can recall offsets claimed by taxpayers to be due to a non-resident, or to a relative or other person, the truthfulness of which claim could not be ascertained, but the facts known warranted the belief that it was fraudulent.

Taxpayers, before the first day of April, borrow money which they put in their pockets, offset the note given for the money against their personal property and at an early date pay the note. The money they do not put in the list. Habitually, in the month of March, they purchase goods out of the state for delivery after April 1st and then offset the debt so contracted against their personal property while the property so purchased is not in our jurisdiction.

One illustration, elsewhere mentioned, is worthy of repetition here. A taxpayer, as shown by his inventory for 1907, owned merchandise appraised at \$4,000 and bank stock at \$15,000. In his inventory he made oath that on the first day of April he was owing for merchandise to parties without the state over \$19,000 so that his stock in trade, \$4,000, and the bank stock, \$15,000, escaped taxation.

Numerous similar instances might be cited and many other methods of evading taxation under the offset law named.

To the honest taxpayer, and there are many in this state, the offset law works great injustice. He pays upon what he ought, while his dishonest neighbor, by making a false oath, may escape taxation altogether, although oft-times far better able to pay than the honest man.

It is not too much to say that the offset feature of our law invites perjury, that the invitation is often accepted and that, as a result, the standard of public morals is lowered.

It is true that no law can be enacted which will equitably tax both the honest and dishonest person, but it seems to us no method for the taxation of personal property could

be devised which would give a better opportunity for fraud, concealment and evasion than our present law, which in effect permits a taxpayer, by perjury to escape taxation, unless the listers are lucky enough to detect him, and from the nature of the fraud itself this is almost impossible. We believe it is far better that the honest taxpayer whose burden of taxation may be increased by the abolishment of offset, should bear this burden rather than to permit the present gross injustice and inequality in taxation. If all tangible property, with such exemptions as the legislature in its wisdom may see fit to make, is taxed, much nearer actual equality in taxation will be reached than under the present system.

It may be said that this change would impose a hardship upon persons of small means desiring to do business upon borrowed capital. It is the hope of gain that leads to investments, and we do not believe that laudable business enterprises will be either discouraged or handicapped by the extra expense of operation caused by the slight increase of taxes which may result from the repeal of the offset law. The fact that offset to *all* personal property is permitted in so few states, suggests that it is not essential to our prosperity.

We find no reliable information as to the amount of offsets that were allowed prior to 1899.

The returns to the Secretary of State show offsets as follows:

In 1900	\$27,177,289
1902	27,255,281
1904	29,119,931
1906	30,924,653
1907	33,711,799

These returns are inaccurate. The reports to the Secretary of State from some towns contain the aggregate amount of offsets *claimed*, instead of the amount *allowed*; also the amount of offsets allowed is sometimes estimated instead of computed.

The result of the abolishment of offsets, however, must be to add to the grand list the amount of personal property now offset, and also some millions of dollars more by reason of an increased valuation of personal property which will surely follow a more careful appraisal thereof. Under the present system, it frequently occurs that no actual appraisal of personal property is made, because it is well known to the listers that certain taxpayers will offset whatever personal property they may own.

Since 1881 the assessed value of real estate has increased 35 per cent. Assuming a like increase in personal property taxed during the same time, that item would be sixty-three millions instead of forty-four millions as at the present time. That there must have been a large increase in the value of personal property is demonstrated by a comparison of personal property values in Vermont as shown by the United States Census Reports from 1890 to 1904. In the following figures, intangible personal property and the personal property of railroads and other public utilities which now pay a tax to the state only, are not included.

The classifications in the report of 1890 are somewhat different from those of 1900 and 1904, which two are alike. These reports show the following:

1890	\$ 76,123,130
1900	106,389,447
1904	119,088,298

or an increase of personal property in fourteen years of \$42,965,168.

It would seem to be a safe prediction that the repeal of the offset law would place in our grand list double the amount of personal property now taxed without including intangibles.

The addition of so large an amount as this to the grand list would result in an appreciable diminution of the tax rate.

It may be urged that the beneficial results temporarily attending the operation of the law of 1880 and 1882 warrant its continuance with certain amendments designed

to remedy the evils which we have discussed. Our answer is that it is not possible to permanently remedy these defects. A new drastic law of this character will always at first result in getting into the list a considerable increase of property, but the taxpayer will soon find such means of evasion as will defeat the beneficial effects of the measure.

Experience has repeatedly shown this in other states. Thus in New Hampshire a new law with drastic features was enacted in 1878. Its efficacy upon this point may be seen from the following table giving money on hand, at interest, or on deposit returned for taxation.

1872	\$ 5,200,000
1878	4,138,000
1879	15,607,999
1883	8,400,000
1893	6,291,763
1894	5,987,998

(Robinson's History of Taxation, N. H., page 98.)

In addition to the criticisms we have made upon the practical operation of the offset features of our present law, it is open to the further objection that in principle it is absolutely indefensible.

There is no good reason why offset, if allowed at all, should not apply to all taxable property, both real and personal. It can only be justified upon the theory that the taxpayer should pay on his real worth, which is ascertained by deducting the debts he owes from the value of his property.

Governor Barstow, in his message to the Legislature in 1882 said, "Offsets should be abolished, or made uniform upon every species of property; \* \* \* in any event, justice demands that the owners of real and personal property should be put on the same basis of equality."

If it should be urged that, with the offset feature abolished, there are still opportunities for fraud and concealment under our present law, it may be said that no law

has yet ever succeeded in producing exact justice and uniformity in the distribution of the burdens of taxation, but if all property is taxable, it will be the fault of the listers if the tangible part of it escapes.

We unanimously recommend that the law allowing offsets be repealed.

The following table compiled from returns made to the Secretary of State shows the number of polls set in the list and the appraised value of personal and real property from time to time since 1866. It is placed here because obvious arguments to be deduced from it are applicable to the discussion both of offset and the taxation of intangibles.

	Polls.	Personal.	Real Estate.
1866	67,104	21,435,281	71,638,678
1871		20,468,139	81,554,925
1872		19,623,584	82,381,647
1873		19,423,971	82,942,329
1874		19,330,432	79,724,217
1875		18,386,766	81,106,760
1876	71,229	18,519,312	81,198,291
1877		17,293,944	81,439,577
1878		16,845,123	70,919,120
1879		15,375,533	71,017,981
1880		15,037,262	71,114,747
1881		46,896,967	102,437,102
1882	73,757	46,218,508	106,372,797
1883		49,586,310	104,549,674
1885	77,902	48,912,644	105,725,117
1887	78,167	50,060,171	109,534,036
1889		49,163,677	111,683,680
1890	80,909	49,203,388	112,895,125
1892		48,878,272	109,947,551
1894		46,356,447	112,087,665
1896	85,558	43,885,159	113,700,464
1898		41,123,154	116,141,979
1900	87,047	40,884,198	118,950,024
1902		41,956,365	120,831,099
1904	89,119	41,538,531	126,473,245

1906	.....	91,071.....	42,965,532.....	129,376,413
1907	.....	91,667.....	44,138,368.....	139,709,702

It will be noted that personal property taxed has decreased \$6,000,000 in the last twenty years; while the real estate has increased \$30,000,000.

#### TAXATION OF INTANGIBLE PROPERTY, UNIFORM LOW RATE RECOMMENDED.

The discussion of this subject comes naturally in connection with that of offsets and many of the facts and arguments under offset are equally applicable here.

The commission is unable to make a unanimous recommendation relating to this subject.

Three of us recommend that the attempt to tax intangible personal property at local rates be abandoned and that all property of this character subject to taxation be taxed at a uniform low rate throughout the state. We believe Vermont must adopt this plan or abandon altogether the direct taxation of intangibles.

We are aware that our recommendations may be deemed radical, and may be severely criticised. We expect the argument will be urged that our plan discriminates in favor of the rich man and against the one of moderate means. Under the existing laws, however, wealthy owners of intangible property now practically escape direct taxation thereon.

For the sake of a clear understanding, it will be remembered that intangible property means such symbols of property as notes, mortgages, certificates of stock, bonds, book accounts or other evidences of debt, none of which have any appreciable value in themselves, but are valuable merely as they represent tangible property which, theoretically at least, is otherwise taxed.

The taxation of these symbols of property is generally spoken of by economic writers as double taxation.

The effort to tax intangibles at a high rate, or at the same rate that real estate is taxed, has never so far as we are able to learn, succeeded, because of the ease with which

property of this class may be concealed, changed in form or shifted from one jurisdiction to another. It would be a useless repetition to quote at length from the reports of the commissions of other states upon this subject. They all reach practically the same conclusion and agree that whenever the attempt is made to tax intangibles at the local rates prevailing as to tangible property, the greater part of intangibles escapes taxation altogether.

Because of this unanimity in conclusions and because it sums up the whole matter in a few words, we quote from the report of the Massachusetts Commission issued January, 1908.

"The outcome of the commission's investigations is substantially this: the attempt to tax money, credits and securities at the same rate as other classes of property has everywhere and always proved a failure. In our American States the result has been that the assessment of intangible property decreases either absolutely or relatively as wealth and population increase. We can find no exception to this general rule, and are forced to the conclusion that our present laws are at this point fundamentally wrong."

The underlying reason why intangibles can never be uniformly and successfully taxed at anything but a rate lower than that which on the average now prevails in this state is, that at such average rate the burden of taxation on this class of property becomes so heavy as to operate as a partial confiscation thereof; in fact this system has been aptly characterized as "confiscation tempered by favoritism."

To illustrate, a taxpayer owns a security paying \$4.50 per annum on \$100; the average rate of taxation is at least \$1.50 on the dollar of the grand list. This class of property is appraised at its full value, if appraised at all, so that out of every \$4.50 which the taxpayer receives as income on his investment, he pays \$1.50 in taxes. In other words 33 1-3 per cent. of the income which he derives from his investment must be paid for taxes, and in this instance he is left with a net income of \$3.00 on each \$100.

As the tax rate increases so does the degree of confisca-

tion increase. In many towns the average tax rate reaches \$2.00 on the \$100, in some it is \$2.50 to \$3.00, and in such towns the taxpayer is contributing from 44 to 66 2-3 per cent. of the income of his 4 1-2 per cent. investment in the payment of taxes.

If the investment pays less the burden is correspondingly greater.

Illustrations may be indefinitely multiplied along this line, and there are few, if any, towns in the state where the rate of taxation is now so low that the taxation of intangibles, under the present law, does not result in imposing an excessive burden upon this kind of property.

It may be said we have assumed a too low interest rate on the investment. But assume a 6 per cent. interest rate and a \$1.50 tax rate, and these conditions are much more favorable than the average, and the taxpayer is then contributing 25 per cent. of his income to the government, a rate higher than is collected on the average by any civilized country on earth. To this burden in the American states are added the indirect taxes collected by the Federal government.

It is safe to say that upon no other class of property in this state does the burden of taxation fall so heavily as upon the intangibles that are set in the list, and it is equally safe to say, that the attempt to so tax this kind of property at such rates will always result in evasions or will drive the property, or its owner, or both, out of the state. In other words, no taxpayer can afford to contribute this proportion of his income to the government, and but few ever have or ever will so contribute, if by any possible means they can avoid it.

The effect of this law is that the relatively small amount of intangible property taxed is largely in the nature of trust funds, funds belonging to persons of limited means, widows, orphans and the conscientious taxpayers, who are unable or unwilling to take the measures necessary to escape the payment of this tax.

Statistics show that intangibles generally escape taxation. The following figures taken from the report of



the Massachusetts Commission, are compiled from the United States Census Reports. In 1850 real property subject to taxation in all the states was assessed at \$3,899,000,000; and the personal property at \$2,125,000,000; in 1902 the real estate was assessed at \$26,415,000,000; and the personal property at \$8,923,000,000.

Thus it appears that during this period the assessed value of real estate increased almost seven fold and personal property a little less than four fold. Can there be any doubt that the assessable value of personal property increased in the same period in a proportion equal to, if not greater, than that of real estate?

There is no information available in this state as to the amount of intangible property taxed during any period, nor indeed is there any way by which it can be ascertained except as it might be derived from an inspection of the individual inventories.

Many expedients have been proposed, and some have been tried, in various states and countries, to obviate the difficulties in the taxation of intangibles; such as the income tax, the habitation tax, the occupation tax, and the business tax. We refrain from discussing them, because we do not think they fit into our system of taxation. To adopt any of them would require the establishment of entirely different methods in the assessment of taxes, which would be likely to greatly disturb and upset business conditions and property values and there are other serious objections to each of these plans.

The state of Ohio has made desperate efforts to reach this class of property by adopting the same principle of taxation thereof that so far has obtained in this state, and its law on this subject appears to be as ingenious and drastic as can be devised. Among other things, it provides for the employment of persons to detect property illegally omitted, and the payment to them of a commission on the amount of taxes collected through information thus furnished and heavy penalties are provided against the offending taxpayers. The operation of this law is well stated in the report of the last Massachusetts Commission.

"Members of the present commission have recently visited Columbus, and have had opportunities to talk with representative citizens in many walks of life and with the highest officials of the State. To all inquiries about the taxation of personal property in Ohio the uniform reply was: 'We are a State of liars and perjurers. Our law compels us to make a return of our personal property and to pay a tax ranging from 2 to 4 per cent. upon the full cash value. No man can or will pay such an exorbitant tax, and the result is that practically every man defends himself from spoliation and confiscation by perjuring his soul. You cannot overstate the situation. No words can do justice to the iniquities of our present system. The estates of widows and orphans may pay half of their income; a few over-conscientious citizens may pay a corresponding proportion of theirs; but the general result is that the owner of money, credits or securities either leaves the State or makes a false return to the assessor. Our present system is a school of dishonesty and perjury.'"

In this connection we insert a table taken from page 31 of the same report.

Table showing the assessed value of intangible property in Ohio.

Year.	Money.	Credits.	Securities.	Totals.
1881	.\$40,600,000.	.\$101,100,000.	.\$8,600,000.	.\$150,300,000.
1893	. 41,600,000.	. 111,200,000.	. 9,700,000.	. 162,500,000
1906	. 59,900,000.	. 77,200,000.	. 10,800,000.	. 147,900,000.

When it is considered that these statistics show an actual falling off of about two and one-half millions of dollars in the assessed value of money, credits and securities in Ohio in the twenty-five years preceding 1906, it would seem that the above criticisms are warranted.

We do not adopt the theory urged by many, that it is better to exempt this class of property from taxation. On the contrary we believe the owners should pay thereon an equitable tax toward the expenses of the government under which they live, and by virtue of whose protection

they have been enabled to acquire and are permitted to hold and transmit the same.

Pennsylvania and Maryland have adopted, and are now using a system of taxation as to intangibles that produces most desirable results. It is in substance to tax this class of property at a low uniform rate throughout the state.

It appears that the Massachusetts Commission visited Baltimore, Harrisburg and Philadelphia and investigated the operations of this law. As a result of its investigations that commission, composed of nine members, unanimously recommended to the legislature of Massachusetts, for 1908, the adoption of a low uniform tax upon all intangibles.

The Supreme Court of Massachusetts in response to an inquiry of the legislature held the proposed measure unconstitutional. This of course prevented its enactment there.

The provisions of the Massachusetts constitution on the subject of taxation are materially different from those of this state and four of our number are of the opinion that the proposed measure is not contrary to the provisions of the constitution of Vermont.

For nearly thirty years the state of Pennsylvania has taxed most intangible property at a uniform rate of four mills upon each dollar of the fair cash valuation thereof.

The law there requires each person to make a return under oath of all taxable money, credits or securities owned by him, and contains a provision that upon failure so to do the assessors shall make an assessment thereof from the best information they can obtain.

The following table shows the growth of the amount of intangible property taxed at this rate in Pennsylvania.

1885.....	\$145,300,000	1900.....	\$722,900,000
1888.....	429,800,000	1903.....	847,100,000
1891.....	575,300,000	1906.....	932,900,000
1894.....	613,900,000	1907.....	1,014,000,000
1897.....	673,700,000		

This is a very remarkable showing, and with the exception of Maryland, no such results have been achieved by any other state. A comparison of these results with those obtained in Ohio, New Hampshire and Vermont is interesting.

The experience in Maryland is instructive. In 1896 a law was there enacted, and is still in force, which provides for a local and state assessment upon intangibles of approximately four and six tenths mills upon the dollar of valuation. Statistics for the entire state are not obtainable, but the following table shows the operation of the law in Baltimore so far as increasing the amount of this kind of property taxed is concerned.

Table showing assessed value of securities taxed in the City of Baltimore.

1896.....\$ 6,000,000	1902.....\$ 89,900,000
1897..... 55,000,000	1903..... 94,300,000
1898..... 55,000,000	1904..... 85,900,000
1899..... 61,000,000	1905..... 104,200,000
1900..... 65,800,000	1906..... 120,400,000
1901..... 68,900,000	1907..... 150,900,000

It appears that in 1896 these securities were taxed at a local rate of about two per cent. and it will be observed that the assessed value of this class of property is now twenty-five times what it was in 1896.

Did not space forbid many interesting deductions could be drawn from the effect of these laws in both Pennsylvania and Maryland.

In view, however, of the results obtained in these states, and of what we believe to be the impossibility of taxing this class of property at the same rate as most other property is taxed, we conclude, as did the Massachusetts Commission, (and it may be of interest here to note that this conclusion was reached before we saw the Massachusetts Report) that if our state is to successfully tax intangibles, it is necessary to adopt a plan similar to that in

operation in Pennsylvania and Maryland. This leads to a consideration of the rate to be recommended.

We believe that a uniform tax rate of five mills upon the dollar to be assessed upon substantially all intangible property, with the exception of stock in national banks, is best adapted to our conditions and more likely to give satisfactory results than any other rate. We are of the opinion that this should also be the rate upon the average deposits in savings banks and similar institutions. For the present we would let the stock of national banks be taxed as it now is, and would exclude from the operation of the five mill rate the moneyed capital of bankers and brokers, because, under the Federal statute permitting the taxation of shares of national banks, it is provided that such shares shall not be taxed at a rate exceeding that levied upon other moneyed capital. To apply the five mill rate to the stock of banking corporations would in some towns considerably diminish the grand list. These stocks as a whole are better able to pay the full local tax rates than any other class of intangibles and, until the results which follow the application of the uniform low rate to other intangibles have been ascertained, we think it wise to leave such stocks to be taxed as they now are.

Corporations both public and private should be required to pay this tax upon bonds issued by them and owned by residents of the state, and given authority to deduct the same from the interest on their bonds, and the burden should be cast upon the corporation to show what, if any of its bonds, were owned by non-residents. This is substantially the law in Pennsylvania and establishes an efficient method of reaching this class of property.

This five mill rate should also be applied to stock in foreign corporations held by residents of the state and to the stock of domestic corporations, except banking corporations, which under our laws are now taxable to the resident owners thereof.

Upon the whole, therefore, we believe the proposed plan of levying a low uniform rate of taxation upon intangi-

ble property offers the following conclusive advantages over our present system.

1. It would relieve the burden of over taxation now resting on persons of moderate and small means whose property is invested in interest bearing securities.

2. It would modify and greatly lessen the tendency of the present system to drive enterprising citizens out of the poorer towns with a comparatively high tax rate into towns with a low tax rate, would tend to keep up the size of their grand lists and, as a consequence, prevent the increase of the tax rate in these poor towns. It would thus aid in stopping the progressive decadence of these towns.

3. It would tend to retain, for investment in Vermont, capital now invested abroad for the purpose of evading the present high local rates of taxation.

4. So far as a reduction of the rate of taxation tends to reduce the rate of interest, it would be an aid to the debtor class and an encouragement to those who desire to purchase farms or enter business without the needed capital.

5. It would render much easier and more probable the securing of honest and complete inventory returns as to intangible property.

That this class of property does now escape taxation is certain.

Now it is not to be assumed that citizens of Vermont, fortunate enough to possess wealth in the form of interest bearing securities, are devoid of conscience or principle because they are avoiding the payment of taxes to which they are legally liable. Denunciation is easy but an inquiry into reasons is more profitable.

We conceive that the reasons by which such taxpayers attempt to justify themselves for not listing this class of property and paying taxes on the same, are somewhat as follows.

1. They regard the rate as excessive. They believe that no government has a right to exact such a proportion

of a man's income in taxation and will not submit to what they regard as practical confiscation.

2. Securities, such as mortgages, bonds, notes etc., are actually appraised, if listed at all, at their full value, while real estate and other tangible property are often appraised at two-thirds or less of actual value. This intensifies the feeling of injustice on the part of owners of the former class of property.

3. Each owner of this class of property knows that other individuals in his class will not list their property and that if his property is listed he will have to pay an extra tax due to the failure of his neighbors to pay. Such a condition of things renders him still more reluctant to list his intangible property.

Now the plan to tax all property of this class at a uniform low rate obviously deprives the capitalist of these three excuses. The rate is low, hence he cannot allege confiscation. It is fixed, hence what the listers do in appraising other classes of property, or what his neighbors do in listing their property, is of no particular consequence to him.

To those who allege that there is no reason why a discrimination should be made in favor of this class of property, as against tangible property, especially real estate, we reply, in addition to reasons already stated, that the expenditure of much of the public revenue adds directly to the value of real estate. Every improvement in roads, public buildings and schools, as a rule, increases the worth of real estate in their vicinity, but of course such improvements are of no benefit to intangible property.

Again it is real estate and tangible personal property that is more especially benefited by water, light and sewer systems, fire protection etc., most of which are maintained in our cities and villages at public expense, while intangibles do not benefit from protection of this kind.

## TAXATION OF STOCK IN FOREIGN CORPORATIONS.

In this connection we recommend the repeal of the exemption contained in clause III, Sec. 496, Public Statutes, which reads as follows:

"III. Shares of stock in a corporation situated in another state when all the stock of such corporation is taxed in such state to the holders, whether residing within or without such state, or when the corporation is taxed in such state for all its stock."

We believe the repeal of this exemption is necessary both as a practical administrative reform and also because the exemption itself is based on no sound principle or distinction. Practically it operates to exempt about all stock in corporations of other states held in Vermont. Less than \$1,000,000 of this property was listed in 1907. Few holders of stock of this character can answer the inventory question (23 in 1907) without consulting an attorney and the attorney could not answer without access to a large public law library. The usual and natural result is that taxpayers give themselves the benefit of the doubt and list none of their stocks of this character; on the other hand an instance has come to our notice where a conscientious taxpayer, not knowing what was taxable, listed all of his stock in foreign corporations. The listers, knowing some of it was probably exempt, omitted it all rather than take the trouble of determining what was taxable. The folly of inserting such a question in the inventory seems obvious.

As a matter of principle we think the exemption equally indefensible. A resident of Vermont owes his taxpaying allegiance here and should pay taxes here according to his ability. Of two citizens, one possessing an income of \$5,000 from stocks and the other the same income from bonds, is there any reason why one should be taxed and the other go free? They owe the same allegiance and possess the same tax paying ability.

Further the exemption is based on a misconception of the nature and effect of the different methods of taxation of corporations. As a matter of fact all taxation of corp-



orations falls on the stockholders, just as taxation of a farm falls on its owner. It makes no difference to the stockholder what form of taxation is adopted, provided it is effective, whether directly upon appraised valuation, upon gross earnings, net earnings or upon the capital stock as a whole or against the individual stockholders. In any case the effect of the tax is the same, namely to diminish the shareholders' income. Now for Vermont to single out the shareholders in foreign corporations taxed in one particular way and exempt them and attempt to tax all others seems unwise.

To tax any shares of stock in a foreign corporation, is, of course, double taxation in a sense, but it is well-nigh universal, and, until some interstate agreement can be arrived at, unavoidable, unless the state is to exercise an altruism almost without a parallel. We are dealing here with a class of property on which two jurisdictions have a legitimate claim. For the present we believe there is no better way than for both jurisdictions to exercise the right to tax but to tax at a moderate rate. As long as we have double taxation it should affect all of the same class alike. Purely artificial distinctions like the one under discussion should be abolished.

#### SAVINGS BANK TAX.

We do not lose sight of the fact that the application of this five mill rate to the average deposits in savings banks means a loss to the state of two sevenths of the revenue now received from that source, assuming no increase of deposits.

The state has received from savings banks, under the present tax of seven tenths of one per cent., revenue as shown by the following table.

In 1902	.....	\$268,691
" 1903	.....	284,622
" 1904	.....	308,879
" 1905	.....	326,357
" 1906	.....	343,369
" 1907	.....	364,591
" 1908	.....	402,479

We appreciate that this is an easy way to get money for state expenses, and that the state may be loath to let go its hold.

In our opinion the present rate of taxation on such deposits is too high. We believe by far the greater amount thereof is owned by widows and orphans, or is trust funds, or the property of those who, by reason of immature age, advanced years, or other causes, prefer and must have secure and safe, rather than speculative investments. In many instances elderly people deposit their little all in these banks, and with the interest now paid thereon, supplemented by small earnings, eke out a very modest living; but by whomsoever these deposits are owned, whether by children of tender years, by the poor, or by the aged, and however small the amount, the state now reaches out and imposes a tax thereon,—a tax from which there is no escape, and a tax which is proportionally larger than the average rate paid upon much of the other property taxed in this state. As has been pertinently remarked, with reference to another subject of taxation, a tax of this kind is one “not according to ability but according to vulnerability.”

Compare this with the policy of the law that now by offset lets some \$30,000,000 escape taxation.

This proposed reduction of the savings bank tax rate must result in some increase in the rate of interest paid to depositors, and will tend also to increase the amount of deposits.

Our present savings bank tax rate is higher than in many states, and there are also several states that do not tax small deposits. The deposits in Vermont Savings Banks average \$356 to each depositor.

#### CONSTITUTIONALITY OF UNIFORM RATE.

Inasmuch as two of our number question in their report the constitutionality of the proposed uniform low rate method of taxation of intangible property, it has been thought best to give a few reasons why four members of this commission think that such a law would not infringe upon

any article of the State or National Constitutions. So far as the United States Constitution is concerned the only provision that in any way refers to this matter is the 14th. Amendment. This has been before the Supreme Court many times and we think the rule is thoroughly established and this question put to rest by the decision of that court;

*Bells Gap R. R. Co. v. Com. of Penn.*, 134 U. S., 232.

We quote from the opinion so much as pertains to this question.

"The provision in the XIV Amendment, that no State shall deny to any person within its jurisdiction the equal protection of the laws, was not intended to prevent a State from adjusting its system of taxation in all proper and reasonable ways. It may, if it chooses, exempt certain classes of property from any taxation at all, such as churches, libraries and the property of charitable institutions. It may impose different specific taxes upon different trades and professions, and may vary the rates of excise upon various products; it may tax real estate and personal property in a different manner; it may tax visible property only, and not tax securities for payment of money; it may allow deductions for indebtedness, or not allow them. All such regulations, and those of like character, so long as they proceed within reasonable limits and general usage, are within the discretion of the State Legislature, or the people of the State in framing their Constitution. But clear and hostile discriminations against particular persons and classes, especially such as are of an unusual character, unknown to the practice of our governments, might be obnoxious to the constitutional prohibition. It would, however, be impracticable and unwise to attempt to lay down any general rule or definition on the subject, that would include all cases. They must be decided as they arise. We think that we are safe in saying that the XIV Amendment was not intended to compel the States to adopt an iron rule of equal taxation. If that were its proper construction, it would not only supersede all those constitutional provisions and laws of some of the States, whose object is to secure equality of taxation, and which are usually accompanied

with qualifications deemed material; but it would render nugatory those discriminations which the best interests of society require, which are necessary for the encouragement of needed and useful industries, and the discouragement of intemperance and vice, and which every State, in one form or another, deems it expedient to adopt."

The Constitution of this state leaves the Legislature practically supreme in the matter of taxation.

Article 9, which has the only reference to this question contained in the Constitution, provides:

"That every member of society hath a right to be protected in the enjoyment of life, liberty and property, and therefore is bound to contribute his proportion toward the expense of that protection."

This article was adopted in 1777 and has been in force ever since its adoption.

The first known act of the Legislature under the Constitution was passed at the February session A. D. 1779. As will be seen in the resume of the history of taxation given elsewhere in this report, this law arbitrarily classed both real and personal property for taxation without regard to value.

It fixed a tax valuation of ten shillings per acre on all real estate that had been improved one year wherever situated and of whatever value and did not tax unimproved real estate at all, but it put money and debts due upon a tax basis of six per cent. of their value, and fixed an arbitrary tax value on each item of tangible personal property without regard to its real value. This act also provided for a faculty tax as will be seen by reference thereto.

In 1797 a law was made which, among other things, provided that all lands in this state which had been improved two years should be set in the list at \$1.75 per acre (this without regard to value); that all dwelling houses, stores and shops occupied or rented of the value of \$1,000 or under should be set in the list at two per cent. of their value; and all of the value of more than \$1,000, at the rate of three per cent. Nearly every kind of tangible personal property was listed at a value arbitrarily fixed by law

and money and other intangible property was assessed at six per cent. of its value. The Legislature by these enactments certainly assumed and exercised the right under the constitution to classify different kinds of property and to arbitrarily fix the value of all items of each class. All tax laws enacted in the state prior to 1841 contained like provisions.

In 1841 the law first provided for the listing of all property at its value so that, during the first sixty-four years of the independence of this state the Legislature exercised the right and power to arbitrarily classify property at different rates and this right was never disputed or questioned.

Thus a practical interpretation was given to article 9 by those very persons who adopted the constitution and that too contemporaneously with its adoption and it was acquiesced in by all without demur.

The Supreme Court of this state in *Colton v. City of Montpelier*, 71 Vt., 415, said:

"An interpretation of the constitution and bill of rights, contemporaneous with their adoption, practiced and acquiesced in for such a length of time as conclusively fixes their construction has a judicial determination to the same effect."

This was said of the Legislature's right to exempt property from taxation but the general right to make exemptions is involved in the right to apportion taxes and classify its subjects and must be understood to exist unless expressly forbidden by the Constitution.

The Legislature may classify the subjects of taxation.

*Kitty Rouns Case* 81 Pa. St., 216.

*Zimmerman v. Turnpike Co.* 81, Pa. St., 96.

"It may adopt other classifications of property, imposing the tax upon those various classifications or kinds of property, and the rule of uniformity would be preserved."

1 *Desty on Taxation*, 96.

The constitution does not deprive the Legislature of the power of dividing the objects of taxation into classes; it

merely requires that the burden shall be equal upon all included in the class.

To claim that the Legislature may exempt from all taxation all debts secured by mortgage, whether real or chattel, where the rate of interest does not exceed a certain per cent. and at the same time deny its power to tax all that class of property at a uniform rate, seems to us to be taking a position that is illogical and not tenable in law.

"If the legislature has power to exempt, on account of the special use to which they are put, certain kinds of property from the taxation to which other property of the same kind, but put to general uses, is subjected, it has the right to provide, in its discretion, that such special property shall be assessed at a different rate and in a different way from the other."

*Central R. R. of N. Y., v. State*, 4 *Atlantic R.*,  
584 (*Court of Errors & Appeals, N. J.*)

"It is impossible to study the development of our law during two and a half centuries, without reaching the certain conclusion that the right of the people to tax themselves through their representatives in the General Assembly has always been held in reverence, and is distinctly secured by the Constitution; that the duty to exercise the power of taxation wisely and only for the public good is a legislative duty for the performance of which the General Assembly is responsible to its constituency; that the power of considering the conditions of population or property, the theories and maxims of political economy or moral philosophy which may effect taxation, and of determining what on the whole is a wise and fair mode of distributing the burden, is a purely legislative power.

Such provisions are incompatible with the existence in our State Constitution of any maxim of uniformity and equality in taxation, to be defined by the court and employed in controlling the General Assembly in the performance of its legislative duties and the exercise of its legislative powers."

*State v. Travellers Ins. Co.*, 73 *Conn.*, 262

When it is considered that many of the framers of our State Constitution came from Connecticut and much of our law was taken from that State, this opinion of its court of last resort seems of especial force upon this question.

This statement of the law by the Connecticut Court was approved by the Supreme Court of the United States in the same case, 185 U. S., 364.

"It necessarily follows therefore that special forms of taxation adjusted to different classes of property are found essential in the administration of State taxing systems, and, in the absence of specific constitutional restrictions requiring all property to be taxed according to the same method of assessment, are consistent with the fundamental principles of equality and uniformity inherent in taxation."

*Judson on Taxation, Sec. 438.*

"Classification for taxation is not necessarily based upon any essential difference in the nature or condition of the various subjects. It may be based as well upon the want of adaptability to the same methods of taxation, or upon the impracticability of applying to the various subjects the same methods so as to produce just and uniform results, or it may be based upon just and well grounded considerations of public policy."

*Judson on Taxation, Sec. 454.*

The constitution of Kansas provides:

"The Legislature shall provide for a uniform and equal rate of assessment and taxation."

But under this limited power the Supreme Court of that state says:

"The Constitution does not require uniformity of methods of taxation, and different methods may be adopted for the taxation of different classes of property."

*Gulf R. R. Co. v. Morris, 7 Kan., 210.*

*Commissioners of Ottawa Co. v. Nelson, 19 Kan., 234.*

The constitution of Maryland provides:

"Every person in the state, or person holding property therein, ought to contribute his proportion of public taxes for the support of government, according to his actual worth in real or personal property."

This provision imposes much greater limitations upon the Legislature than does Art. 9 of our Constitution, yet Maryland has a law fixing a uniform low rate upon intangible personal property and its constitutionality does not appear to have been questioned.

"The power of the State to distinguish, select and classify objects of taxation has a wide range of discretion."

*Cooley on Taxation*, p. 76.

"The constitutional guaranty of the equal protection of the laws is not contravened by state laws providing for the taxation of the interest of mortgagees in land as real estate regardless of the locality of the residence of such mortgagees."

*Cooley on Taxation*, p. 80.

*Savings & Loan Soc. v. Multnomah County*, 169 U. S., 421.

*State v. Runyon*, 41 N. J. Law, 98.

*Tappan v. National Bank*, 19 Wal. U. S., 490.

From a careful study of this question and an investigation of the decisions of the courts of last resort both of sister states and of the United States which we have considered in connection with our State Constitution, we have come to the conclusion that there is no constitutional objection to a law which provides for the taxation of intangible property upon a different basis than that of other personal or real property.

## STATE REVENUE.

We recognize that a recommendation, the result of which is to reduce an accustomed revenue of the state, is likely to be unfavorably received by many, unless a compensating income is also provided, or the fact that it is not needed made apparent.

The state, as already shown, received in 1906 \$343,369 from the taxes paid by savings banks and similar institutions. This was considerably augmented in 1907 and 1908 by reason of the largely increased deposits made because the limit above which deposits in savings banks were exempt from local taxation was changed.



We suggest that if the limit above which a local tax is imposed on deposits be removed, the result will be to considerably swell the deposits of this character with a corresponding increase of revenue. The time would then soon come when a tax of five mills on the dollar, would yield as much as a tax of seven mills at the present time.

The income from other corporation taxes is increasing. There are also other subjects for state taxation hereinafter referred to which would, if needed, prevent any deficit.

We see no reason to fear any increase in state expenses that cannot be met from sources of revenue already utilized or known.

The following table shows the sources of revenue from which the state receives its income devoted to general current expenses.

	1902	1903	1904	1905	1906	1907	1908
Collateral Inheritance Tax....	\$ 55,066	\$ 29,440	\$ 37,227	\$ 40,058	\$ 40,581	\$ 52,412	\$ 68,025
Charter tax, under Sec. 21, No. 29, Acts of 1904.....	.....	.....	.....	17	662	475	345
License taxes, and arrears of previous years .....	16,418	18,047	20,284	20,619	34,400	30,196	29,078
Savings Banks and Trust Companies .....	268,691	284,622	308,879	326,357	343,369	364,591	402,479
Railroads .....	123,643	171,758	164,900	163,264	175,218	184,289	237,970
Transportation companies ..	6,248	5,852	6,791	5,685	7,034	7,538	6,552
Express companies .....	2,418	2,650	2,883	2,913	222	51	17,127
Telephone and telegraph companies .....	7,591	9,460	2,070	1,549	16,779	21,909	20,581
Insurance companies .....	54,168	64,729	75,796	87,697	96,056	105,154	108,043
Building and Loan Associations .....	55	.....	122	129	126	126	129
National Banks .....	.....	.....	.....	.....	.....	.....	40,810
Total Taxes, except State....	\$534,298	\$586,558	\$618,952	\$648,298	\$714,447	\$766,741	\$931,139

The preceding and following tables are for fiscal years ending June 30.

The expenses of the state paid from the receipts above shown are as follows:

For 1902.....	\$531,953
1903.....	577,459
1904.....	604,477
1905.....	799,252
1906.....	591,363
1907.....	611,658
1908.....	800,655

The conditions we have found have caused the commission to make a unanimous recommendation as to certain administrative changes in the law which we all believe will render it much more difficult for the taxpayer to evade or escape taxation. The members of the commission who join in recommending the low uniform rate of taxation upon intangibles greatly fear, however, that, if these proposed administrative reforms are enacted into law and the proposed uniform low tax rate on intangibles is not adopted, the complaints as to the injustice of the law will soon be greater than they now are, and that capital will be driven from the state to escape confiscation. We believe this would result greatly to the detriment of the state.

#### INEQUALITIES IN LOCAL TAX RATES.

Although perhaps it is not within the province of this commission to suggest a remedy, yet we deem it imperative upon us to call to the attention of Your Excellency and of the Legislature the great differences in the tax rates for local purposes that exist between the towns in this state.

We have prepared a table which is annexed to this report that shows among other things the average tax rate for the past five years and the grand list and present indebtedness of each town.

From this table it may be seen that Belvidere has a grand list of \$1,406., a debt of \$9,079., an average tax rate of \$3 on each dollar of the grand list, including a school tax of 70 cents and a highway tax of 50 cents, with 26 miles of

highway to support. Jamaica has a grand list of \$3,105., a debt of \$32,000., an average tax rate of \$3.24 on each dollar of the grand list, including a school tax of 63 cents and a highway tax of 30 cents, with 86 miles of road to support; while West Haven has a grand list of \$3,639., no debt, an average total tax of 55 cents, no school tax and 26 cents highway tax, with 35 miles of highway; and Proctor has a grand list of \$14,817., a debt of \$4,161., an average tax of 89 cents, which includes a school tax of 36 cents and a highway tax of 26 cents with 14 miles of highway, 10 miles being in the village limits.

Twelve towns have an average total tax rate the lowest of which is \$2.50 and the highest \$3.24, an average school tax from 44 cents to 83 cents, and an average highway tax from 20 cents to 76 cents, and all of these towns are heavily indebted in comparison with their grand list.

Ten towns have an average total tax rate the lowest of which is 55 cents, and the highest \$1.00, an average school tax from nothing to 50 cents, and an average highway tax from nothing to 30 cents. Of course where there is no school or highway tax it is all included in the average town tax; and three of these towns have no debt, and all of them have a small indebtedness compared with their grand lists.

It is not a matter of surprise that many of our small towns have poor schools and wretched roads, for how can these towns, burdened with debt as they are and taxed almost beyond endurance, appropriate more money for such purposes?

By examining the table before mentioned it will be seen that there are many other towns in nearly as bad a financial condition and it is apparent to us that this is a matter which demands serious consideration by the Legislature.

Towns, with a debt of from \$40 to \$60 per capita and as high as \$10 per dollar of grand list with an average tax rate from \$2.50 to \$3.24, unable to materially reduce their debt or properly maintain their schools and roads, are obviously in a condition that requires relief.

It is necessary to the welfare of the entire state that the children in these towns be provided with good schools.

In most of these towns are highways which accommodate the general public; such roads at least should be kept in good condition. It would seem that these two indispensable objects cannot be obtained under present conditions.

We make no recommendation in regard to this matter but urge the Legislature to give to it immediate and careful consideration.\*

The majority of the commission has deliberately refrained from making any recommendations or suggestions of change in our present system of taxation of railroad, express, telegraph and similar corporations. An important consideration which (in addition to lack of time to make an exhaustive examination) has led us to refrain from advising any changes in existing law on this subject, is that it has recently received the careful attention of both the executive and legislative departments of the state government. The statutes relating thereto have been carefully amended and some of the rates of taxation substantially increased. The present method seems to be working well and the corporations affected by it are entitled to a reasonable degree of stability in the laws under which they operate. Constant tinkering with any law is vicious.

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\*While I concur in the substance of what is said above I desire to say that in my judgment the situation calls for positive recommendations.

I believe that any complete revision of the tax laws of the state should contain certain provisions for a substantial increase of state revenue; this increase to be used in such a manner as will both improve our highways and schools and equalize taxation between the different towns.

This increased state revenue may be obtained:

1st. From a direct inheritance tax.

2nd. From the increased productiveness of the present state taxes due to the additions to the grand list of the state which will follow the adoption of the recommendations of this commission.

3rd. From a portion of the proceeds of the proposed level tax on corporation stock, bonds and other intangible property, which the state may, and should, in my opinion, take to itself.

4th. From a business tax on foreign corporations.

If these four sources are not sufficient to provide a fund which would enable the state to substantially ameliorate the pitiable condition of our most heavily taxed towns I believe that the present state taxes of 8 and 5 per cent. might better be increased than to allow existing conditions to continue indefinitely.

ERNEST HITCHCOCK.

Further, from the little study we have given this subject we are not satisfied that any state has a better system of taxation of railroads than ours. Several states are making experiments in the taxation of these corporations and we believe Vermont may wisely wait until the results thereof are clearer before making any radical change in our present law. As to any change that may be proposed, the State Tax Commissioner should be a better adviser than the members of this commission.

Three members, while they regret the loss of revenue occasioned thereby, yet believing that justice and equity demand it, recommend a reduction in the tax rate on deposits in savings banks and similar institutions.

The entire commission realizes, however, that state expenses, especially in connection with schools and roads, may in the near future be increased, and querying whether our present sources of state revenue will be adequate for the demands that in consequence thereof will be made upon the state treasury, have considered other sources of revenue for state purposes independent of those already utilized and independent and disconnected with our recommendations regarding local taxation.

#### DIRECT INHERITANCE TAX.

In almost every state and country a succession or inheritance tax is levied upon the estates of deceased persons, partly on the theory that only by force of law does any heir, direct or collateral, gain any right to the ownership of property coming from a deceased person's estate. In this state we already have what is known as a collateral inheritance tax. That is, all legacies, devises or inheritances that come to a person not in the direct descending or ascending line, are subject to a tax of five per cent. But many states have in addition to this a tax which is known as a direct inheritance tax, and we believe this to be a source of revenue which our state can and should legitimately take to itself. The law now in force in Massachusetts is in our opinion a good one.

The Massachusetts law is in substance, as follows:

A direct inheritance tax of one per cent. is levied when the legacy or distributive share does not exceed \$50,000; of one and one half per cent. when it exceeds \$50,000, and does not exceed \$100,000; of two per cent. when it exceeds \$100,000.

No tax is paid upon the share of a husband, wife, father, mother, child or adopted child unless the same exceeds \$10,000, and no distributive share is taxed unless it exceeds \$1,000.

Many more wealthy men reside in Massachusetts than in Vermont so that, in order to render such a tax both just and productive, the limitations as to the amount of the estate and the distributive share to be taxed should be different here. But we believe that when Vermont needs additional revenue, there is no better or more just source from which to obtain the same than to tax the direct heirs of a decedent's estate within proper limitations. We think no distributive share or legacy of less than \$2,000 should be so taxed. With this, or such other limitations, as the legislature in its wisdom might make, we believe that if more revenue is required for state purposes, this is one of the best and most available sources from which to obtain the same.

We make no extended argument as to the equity or reasonableness of this tax. This subject has been considered of late years by the best experts on taxation in this country; it has been considered by numerous legislatures and tax commissions, and it has almost universally been determined that a direct inheritance tax is a proper and legitimate source of revenue. Under the present collateral inheritance tax, by far the greater number of estates, and especially the larger ones which could most easily bear the burden, escape altogether.

#### FOREIGN CORPORATION BUSINESS TAX.

Under the present law foreign corporations which do business in this state are not taxed except by an annual

license fee. We think they should pay a business tax to the state in proportion to the amount of their capital and business in the state. They come here in competition with our own citizens and corporations. There is no constitutional, legal or moral reason why they should not be put on a level with our own corporations and be made to contribute their just proportion to the support of the government whose protection they seek.

Such a tax would bring in considerable revenue to the state, and would be only reciprocal, as corporations organized under the laws of this state and doing business in other states are generally required to pay a business tax there.

#### TAXATION OF TIMBER AND TIMBER LANDS.

Another subject of taxation, which includes more than the matter of revenue, has been suggested to us, by citizens interested in our forests.

The danger that these forests may be stripped and our mountains laid bare, resulting from the great demand for lumber that has existed during the past few years, has been a matter of wide spread discussion and earnest consideration by those most interested in the welfare of Vermont. This subject has been presented to us with much force, logic and reason. It is urged that our timber lands ought to be fostered and protected; that we should not only preserve our forests in order that great revenue in the way of timber and wood may be derived from them, but that the water flow is much influenced by the amount of moisture that is retained by the forests at the sources of our streams on the mountains; that our manufactories depend upon a steady flow of water; and that the cutting each year of large amounts of timber from our uplands may be detrimental to the health and prosperity of the people of the state of Vermont.

We acquiesce fully in these arguments and believe that some steps ought to be taken, some progress made, in the line of preserving these forests, not only for the timber which they can be made to produce, but for the health, hap-



piness, and prosperity which they do and may bring to the people of this state.

It has been recommended that land devoted to forest growth alone, and of no practical value for other purposes, be appraised at the value which it would have if recently and severely cut over, disregarding the timber upon it, and that to compensate for this decrease in the grand list, a tax be assessed upon the lumber when cut from such forest lands. A tax of a small sum per cord for wood cut for manufacturing purposes and a small sum per thousand feet for lumber, with such exemptions as might be necessary for the owner's own consumption, would yield a very considerable revenue.

It is urged with much force, that the increased value of this land has come, not from any effort or service of the owner, but that it is due to the great increase of wealth and population and the growing scarcity of lumber products in the United States, and that this increased value, which is known as unearned increment, ought to be reached by taxation.

It is further argued that this method of taxation, will encourage the owners of timber lands to allow their forests to mature, that the forest lands will not be stripped, that the beauty of the scenery will not be destroyed, and that timber will be cut only as a matter of husbandry.

A plan of this character would tend to produce these desirable results, and at the same time bring a large revenue into the treasury either of the town or state, as the legislature might determine.

This matter should receive the consideration of all thinking men who are interested in the welfare of this state. It not only interests the owners of timber lands, but is also of vital importance to all who dwell in the valleys among our beautiful forest clad mountains.

This subject is comparatively a new one in this country and we have not, as on many others, the benefit of the experience of other states. The evil effects, however, of the present method of taxation as applied to forests are so obvious and are working such injury to these vital interests

that we believe the legislature should take some action.

The merits of the proposed method appear to us to be clear. A tax of fifty cents per thousand feet of lumber and thirty cents per cord of wood cut for manufacturing purposes would produce an annual revenue of probably \$150,000.

When it is considered that this tax is to be paid but once in the lifetime of a tree, and that it would be paid out of unearned increment, it cannot be regarded as burdensome.

A strict enforcement of existing law would almost certainly result in wholesale deforestation of the most speedy and destructive character. The law contemplates and requires the appraisal of timber land, as of all other property, at its "just value in money." Timber bearing land is now generally appraised at a fraction of its just value. To suddenly raise the appraisal to comply with the statutory requirement, including the full value of all standing timber, and to levy local rates of taxation on this appraisal year after year, would impose a burden which owners of this class of property would not endure when it could be avoided by immediate close cutting.

It seems to us that something, even in the way of experiment, is better than to allow the present conditions to continue.

Respectfully submitted,

ORION M. BARBER.

ERNEST HITCHCOCK.

LEIGHTON P. SLACK.

JOHN H. SENTER.

} With exceptions and recommendations as hereinafter set forth.

GEORGE W. PIERCE.

A. ALLYN OLMSTED.

} With exceptions and recommendations as hereinafter set forth.

## DISSENTING REPORT OF MR. SENTER.

It is a matter of regret upon my part that I am unable to concur with all of the recommendations contained in the majority report, but I am constrained to dissent from the recommendation as there made for a uniform tax rate of five mills per dollar upon intangible property.

I do not believe that we ought at this time to change our present system of taxation for state revenue as our present law is working well and yielding sufficient revenue so as to avoid the necessity of a direct state tax.

I do not believe, even if a uniform low rate system is to be adopted at this time, that seven mills per dollar is too high for Vermont. Our conditions are so much different here than in those states where lower uniform rates on intangible property have been adopted that I am of the opinion that seven mills will be no higher taxation, comparatively, and no more burdensome upon the taxpayer, all conditions considered, than are the respectively lower uniform tax rates on intangible property in Maryland and Pennsylvania.

But while I am fully convinced from my study of the question that the principle of a low uniform tax rate upon intangible property, is the correct one and the most practical and just system, yet I am not fully persuaded that the time has come for Vermont to adopt this system to the extent recommended by the report. It will be noticed that the recommendation contained in the report does not include all intangible property but expressly excepts bank stock from the operation of that system for what the majority say are practical reasons, but they admit an exception with which I concur but would go still further and recommend a uniform rate of seven mills, only upon debts which are secured by a mortgage upon real estate in Vermont, wherever the owner of such mortgage indebtedness resides and that such tax be paid into the treasury of the town where the mortgaged real estate is situated.

In my opinion such a tax will in some measure tend to reduce the interest rates upon mortgage loans and will

materially reduce the local tax rate in towns where the real estate is heavily encumbered by mortgages, and thereby in a great measure lessen the burdens arising from so called double taxation.

I believe that such a law would work for the best interests of the state and that it would tend to bring about a more equal and just basis of taxation. If it be found to work as beneficially as I feel confident it must, it may result finally in the adoption of the uniform low rate system for all intangible property.

I believe that this is as far as we ought to go in that line at this time and until we have an object lesson as to the way such a law as I recommend operates under the conditions we have in this state.

It seems to me that this recommendation is the only one contained in the entire report that will in any manner tend to relieve the evils of double taxation.

I do not deem it wise to give the details in this report of such a law as I have here recommended; such as relates to the proper method of ascertaining the amount of the mortgage indebtedness, the residence, the owner and the method of enforcing the collection of the tax as they have nothing to do with the principle involved, and can, if desired, be embodied in a bill for introduction into the General Assembly.

In every recommendation and suggestion contained in the majority report except as above noted, I most heartily concur.

Respectfully submitted,

JOHN H. SENTER.

## DISSENTING REPORT OF MR. SLACK.

I concur in the suggestions and recommendations contained in the majority report except as to the taxation of stock in foreign corporations which is taxed in the state where said corporation is located.

This is double taxation pure and simple. We have spent too much time in attempting to find an escape from this evil for one class of taxpayers to now recommend that it be inflicted upon another class.

Undoubtedly we have authority to tax this class of property; but might is not always right.

To my mind there is no force to the argument sometimes advanced that simply because the owner of stock in a foreign corporation resides in this state he owes his taxpaying allegiance here. His taxpaying allegiance to Vermont is no greater than that of the person who resides here and conducts a mercantile business in New York or Boston, either in his individual capacity or as a member of a co-partnership.

An individual residing in this state may have tangible property in New York worth ten thousand dollars. It is not taxable here. He may turn that property over to a New York partnership in which his interest is represented by the value of such property and still not subject such property or his interest therein to the taxing power of this state. But under the recommendation suggested the moment he exchanges such property for the capital stock of a New York corporation, the business of which is all carried on in New York the same as the business of the supposed co-partnership, and is there subject to the same local taxing power as is the individual, or partnership property, his taxpaying allegiance to Vermont commences. This is a distinction to which I cannot subscribe.

Under our present law stock in foreign corporations which is taxed in the state where such corporations are located is not taxed here.

This is single taxation. If it is good for one class let us apply it to all classes so far as possible.

Another argument which is advanced in support of the recommendation is that under our present system of taxation a large amount of stock which should rightfully be taxed escapes taxation.

This objection may be cured by requiring each taxpayer to state in his inventory a list of his stocks in various corporations, thereby leaving it to the listers, rather than to the taxpayer, to determine which of his stocks are and which are not taxable, and I recommend such a change in our present law as will overcome this difficulty.

Respectfully submitted,

LEIGHTON P. SLACK.

## MINORITY REPORT OF MESSRS. PIERCE AND OLMSTED.

The undersigned members while heartily approving of many of the conclusions reached by the Commission as a whole, and congratulating ourselves upon the efficiency and perseverance of our colleagues in the arduous investigations of the many and varied phases of this most important subject of taxation, yet we are unable to agree with the majority of our fellow Commissioners upon certain matters which seem to us to be of most vital importance, and in order that our views upon these matters may be made clear we respectfully ask leave to present this, our minority report.

This subject of Taxation is a great question; it has vexed the ablest minds of all ages, and at no time has it been more prominent before state and nation than today. It is a great task which your Commission has been called upon to perform, and it is plain to be seen after learning the evils, that we shall fail to recommend any plan or remedy to which there will not be some objection and opposition on that account. After carefully studying the systems of taxation of other countries and of the various states of our Union we have come to believe that the Vermont system, as a whole, is one of the best. The principle of taxation in Vermont, as laid down by the Constitution, is to tax as little as necessary, and where the money will be of more service to the community than it would be if not collected. A low rate of taxation is good for the state. The object of taxation is that the state may be able, under the Constitution, to give each member of society an equal right of protection for the enjoyment of life, liberty and property. To make this protection efficient, and the burden as light as possible, the tax should be justly levied, according to each taxpayer's faculty and ability to contribute.

The plan cannot be an arbitrary one, based wholly upon theory, but must be made practical, and inviting to the taxpayers. We recognize the fact that people cannot be made honest by legislation, but they can and should be

encouraged by fair legislation. When the yoke is thus made easy, and the burden light, then we may expect better results in the administration of the law.

The first duty of the Commission is to find the evils, if any, in our present taxation laws, and then to find remedies for the same.

We recognize several oppressive evils in our present laws, prominent among which are the following:

First, we find there are gross evils in the administration of the law.

Second, there is double taxation in various forms, but not in taxation of intangible property, as suggested in the majority report.

Third, the law allowing offsets on account of debts owing, which was originally intended as a partial relief from double taxation, has been abused to such an extent that it has become a potent evil, and should be repealed.

Fourth, the law discriminating in favor of corporate property is an evil.

#### REMEDIES SUGGESTED.

First, the Commission is unanimous in its suggestions for a better administration of the tax laws, as will appear by the majority report.

Second, we believe that all taxable property should be taxed once, and only once, in each assessment, whether the property taxed is situated outside the state or within. If a resident of the state owns a savings bank deposit located and taxed outside the state, it ought not to be further taxed here. Many other illustrations might be cited.

Third, we recommend the repeal of the law allowing offsets for debts owing *on condition* that money loaned on mortgages on both real and personal estate located within the state at a rate of interest not exceeding four and one half per cent. per annum shall be exempt from taxation to the amount of the listers'



appraisal of the security, no exemption to be made unless the security is taxed. To guard against possible frauds no mortgage should be exempt unless recorded, and made payable in not less than one year, and a statement sworn to by both mortgagor and mortgagee filed, showing the rate of interest to be not over four and one-half per cent.

In this plan we would include the exemption of savings banks and trust companies from the payment of the 7-10 per cent. tax on their deposits loaned on mortgage within the state, where the rate of interest charged does not exceed four and one half per cent. We also recommend the exemption from taxation of notes and bonds of municipalities within the state when the rate of interest thereon does not exceed three and one half per cent. per annum substantially as the law now provides.

In consideration of the exemption of loans as above stated, we recommend the repeal of the law exempting personal property from taxation on account of debts owing.

Fourth, we recommend that a state tax be assessed upon the property and corporate franchise of each person or corporation owning or operating a railroad located in whole or in part within this state, at the average rate levied upon property throughout the state, to be ascertained by dividing the total amount of taxes levied by the total appraised value of property and polls entered in the grand lists. The state tax commissioner shall ascertain the rate by the above method, and shall appraise such property at its full and true value in money.

The law granting to railroads the option of payment of taxes upon their gross earnings instead of upon the appraisal is inequitable and unjust, and should be repealed. The present law discriminates in favor of the corporation, allowing it to pay taxes at a rate much less than that paid by the farmer and other real estate owner. We believe such discrimination to be in direct opposition to the Vermont

Constitution. If taxed at the average rate paid by other property,—160 per cent. on the grand list—the railroads of this state would pay \$462,775.36 per year in taxes, on their present valuation. This would be sufficient to provide the state treasury with the \$175,218.11 paid two years ago by the tax on gross earnings of railroads, also to pay the state school and state highway taxes now paid by the towns, amounting to 13 per cent., or \$234,352.69 annually. In addition the sum of \$53,000 per year would remain, which might be applied to the further support of schools and highways.

This basis of corporate taxation would not only be perfectly fair and equitable, but it would also eliminate the necessity of instituting legal proceedings for the collection of the tax on gross earnings, recently found necessary by our attorney general.

We most vigorously oppose and protest against any proposition to tax intangible property at a uniform rate lower than the average rate of taxation in this state. This would mean a low rate for the owner of money, stocks, bonds, mortgages and securities of many kinds, in short for the wealthy classes, while the workingmen, the farmer, the owner of live stock or of the village cottage, continue to struggle under the burden averaging 160 per cent. of the grand list and which ought in justice to be borne equally by all taxpayers.

We most earnestly advocate a uniform rate of taxation on all classes of property, believing that anything else is in opposition to the express declarations of our state Constitution. Other states, notably Massachusetts have recently considered this subject at great length, and the Supreme Court of Massachusetts has declared the uniform rate unconstitutional.

## INCOME TAX.

We believe that all persons should pay taxes according to their faculty and ability to pay, and that those enjoying large incomes, although not owners of any visible property, should pay taxes according to their ability, and we therefore recommend a graduated income tax, to be paid into the state treasury.

We do not favor reducing the rate of taxes now levied on the average deposits in savings banks, except as above stated.

Except as hereinbefore stated and with the qualifications herein expressed we concur in the findings, conclusions and recommendations contained in the main report.

Respectfully submitted,

G. W. PIERCE.

A. ALLYN OLMSTED.

## APPENDIX.

## STATISTICAL INFORMATION.

The following table is derived chiefly from information furnished directly to the clerk of this commission by the several town clerks of the state on blanks provided for the purpose. The blanks called for a report of the grand list, town indebtedness and tax rates. The information as to number of pupils, number of schools and weeks of school is taken from the printed report of the State Superintendent of Education for 1906, and the miles of road from the printed report of the State Highway Commissioner for the same year.

A few of the town clerks having failed to report, the tax rates were secured so far as possible from the files of the Secretary of State. These files in no case covered the year 1908. In a few instances, at date of town or city clerks' reports, rates for 1908 had not been fixed.

The tax rates in the succeeding table, covering incorporated villages and school districts, are all taken from the Secretary of State's office and hence do not cover 1908 in any case. It may be added that these reports made annually to the Secretary of State are far less satisfactory as to the villages and incorporated districts than as to towns, and some of the latter even are missing. It should be stated that the indebtedness of the incorporated villages and districts are combined where there is a village and district of the same name.

While every effort has been made to secure accuracy in these tables it cannot be claimed that they are entirely free from mistake. The conditions under which they have been made preclude that, but it is believed that they are free from misleading error.

An asterisk before the name of a town indicates that the tax rates are averaged for less than five years. Where towns contain incorporated villages or districts, the tax rates in the main tables are for the town outside the corporation. Number of pupils, number of schools and number of weeks of school, however, are for the entire town.

# ADDISON COUNTY.

NAME OF TOWN	Population 1900	Grand List 1907	Debt February, 1908	Interest Rate on Debt	Average Total Tax Rate 1904-8	Average School Tax Rate 1904-8	Number Pupils Attending School 1906	Number Schools 1906	Weeks of School 1906	Miles of Road 1906	Average Road Tax Rate 1904-8	Dollars of Grand List to One Mile of Road
Addison .....	851	6,316	1,639	5	1.40	33	195	9	30	61	20	104.
Bridport .....	956	6,997	2,000	5	1.02	34	194	10	30	79	21	89.
Bristol .....	2061	12,520	19,827	4½-5	1.28	52	415	13	35	8+44	20	104.
Cornwall .....	850	5,639	1,280	5	1.06	40	152	7	32	54	25	122.
*Ferrisburgh .....	1619	10,888	9,945	5	1.00	40	321	16	30	89	30	36.
Goshen .....	286	789	1,640	5	2.47	72	53	3	28	22	55	41.
Granville .....	544	1,758	1,059	5	2.00	68	82	6	26	43	50	69.
Hancock .....	263	1,511	0	5	1.10	26	50	2	30	22	31	72.
*Leicester .....	509	2,318	2,606	6	1.50	49	94	6	28	32	34	68.
Lincoln .....	1152	4,211	9,332	5	1.37	44	213	8	30	62	20	70.
Middlebury .....	3045	21,816	21,274	4-5	1.28	38	633	16	35	9+58	20	120.
Monkton .....	912	4,500	2,361	5	1.20	39	159	7	29	64	28	102.
New Haven .....	1107	8,065	3,138	5-6	1.22	50	187	10	31	67	25	103.
Orwell .....	1150	8,595	0	5	.97	50	213	11	32	84	20	65.
*Panton .....	409	2,776	2,134	5	1.23	36	92	5	30	27	41	117.
Ripton .....	525	2,461	8,490	5	1.86	55	99	7	29	38	20	86.
Salisbury .....	692	4,685	0	5	1.06	43	144	7	32	40	20	62.
Shoreham .....	1193	7,741	5,707	5-6	1.25	39	256	12	30	90	20	730.
Starksboro .....	902	3,956	1,140	5	1.31	52	185	12	28	64	20	110.
Vergennes .....	1753	8,763	60,000	4-4½	1.55	58	288	7	39	12	20	95.
Waltham .....	264	1,547	0	3	.87	43	283	2	30	14	20	100.
Weybridge .....	518	3,315	4,080	3	1.03	28	85	4	30	35	20	
Whiting .....	361	2,202	2,703	4-5	1.15	42	67	5	30	22	24	

# BENNINGTON COUNTY.

NAME OF TOWN	Population 1900	Grand List 1907	Debt February, 1908	Interest Rate on Debt	Average Total Tax Rate 1904-8	Average School Tax Rate 1904-8	Number Pupils Attending School 1906	Number Schools 1906	Weeks of School 1906	Miles of Road 1906	Average Road Tax Rate 1904-8	Dollars of Grand List to One Mile of Road
Arlington	1193	5,454	18,403	4-5	1.67	39	188	8	34	43	20	127.
Bennington	8033	52,372	118,676	4	1.17	35	1345	33	38	24-77	20	115.
Dorset	1477	7,124	47,738	4-5	2.00	50	340	13	32	62	20	123.
*Glastenbury	48	368	281		2.71	62	6	1	28	3	40	34.
*Landgrove	225	653	1,618		2.81	75	52	3	28	19	68	267.
Manchester	1955	16,574	3,806	5	.86	31	305	11	34	62	20	55.
Peru	373	1,760	1,600	5-6	1.57	45	56	4	28	32	44	118.
Pownal	1976	9,073	5,483	5	1.04	41	372	15	33	77	20	
Readsboro	1139	4,665	11,734	4½-5	2.55	83	242	10	30	3+52	52	
Rupert	863	5,781	0		1.14	37	134	9	30	50	20	116.
Sandgate	482	1,402	9,000	5	1.84	52	97	5	28	41	32	34.
*Searsburg	161	682	650		2.00	40	16	2	28	16	87	43.
Shaftsbury	857	6,725	2,873	3-5	1.57	49	311	13	32	39	35	76.
*Stamford	677	2,444	1,157		1.81	51	132	5	30	39	34	63.
Sunderland	518	2,835	15,140	3½-5	2.50	64	127	5	28	27	24	105.
Winhall	449	2,134	1,449	3	1.80	50	91	6	28	38	49	56.
Woodford	279	1,788	16,420	5	2.63	52	38	2	25	15	50	119.

# CALEDONIA COUNTY.

NAME OF TOWN	Population 1900	Grand List 1907	Debt February, 1908	Interest Rate on Debt	Average Total Tax Rate 1904-8	Average School Tax Rate 1904-8	Number Pupils Attending School 1906	Number Schools 1906	Weeks of School 1906	Miles of Road 1906	Average Road Tax Rate 1904-8	Dollars of Grand List to One Mile of Road
Barnet	1763	11,932	4,563	5	1.13	45	293	16	30	109	30	109.
Burke	1184	6,192	1,800	5	1.30	49	188	11	29	73	25	85.
Danville	1628	7,597	4,575	5-6	1.87	79	334	17	30	135	20	56.
Groton	1059	4,523	10,320	5	1.60	56	196	10	28	41	38	1.10
Hardwick	2466	12,360	8,335	5	1.85	69	615	18	33	8+79	38	
Kirby	350	2,008	0		1.56	48	55	4	30	32	47	63.
Lyndon	2956	14,981	10,253	4-6	1.54	58	566	19	32	7+87	26	
Newark	500	2,308	2,632	5-6	1.71	56	82	4	28	40	30	58.
Peacham	794	5,210	1,000	5	1.32	43	107	8	30	75	40	70.
Ryegate	995	7,277	10,059	5	1.51	48	204	11	33	72	30	101.
St. Johnsbury	7010	42,994	70,649	4½-5	1.55	62	1106	30	35	27+90	20	
Sheffield	724	2,507	5,710	3-6	2.13	50	251	8	28	47	61	53.
Stannard	222	697	1,032	5	1.76	61	40	2	28	18	47	39.
Sutton	694	3,085	1,351	5	1.77	56	128	10	28	73	30	42.
Walden	764	3,473	17,000	4	2.50	54	137	8	28	67	50	52.
Waterford	705	4,386	1,373	5	1.46	58	75	6	30	62	25	71.
1Wheelock	567	2,449	1,642	5	2.02	50	105	6	28	59	50	42.

<sup>1</sup> When chartered, Wheelock was given to Dartmouth College and Moore's Charity School of Hanover, N. H., the land being leased to settlers free from taxation. By state law the town may now by vote include the land in grand list for town taxes. Grand List for state taxes is about \$540.

# CHITTENDEN COUNTY.

NAME OF TOWN	Population 1900	Grand List 1907	Debt February, 1908	Interest Rate on Debt	Average Total Tax Rate 1904-8	Average School Tax Rate 1904-8	Number Pupils Attending School 1906	Number Schools 1906	Weeks of School 1906	Miles of Road 1906	Average Road Tax Rate 1904-8	Dollars of Grand List to One Mile of Road
Bolton .....	486	2,477	3,506	6	1.96	47	121	5	28	28	35	88.
*Burlington .....	18640	153,981	844,331	3½-5	1.52		3041	68	36	56		2750.
Charlotte .....	1254	9,381	2,442	5	.98	35	247	15	30	76	25	123.
Colchester .....	5352	20,479	23,293	6	1.33	42	621	17	35	9+64	20	
Essex .....	2203	11,737	4,289	5	1.18	41	431	18	32	13+59	24	
Hinsburgh .....	1216	7,976	2,400	4½	.98	37	206	12	29	63	20	127.
Huntington .....	723	3,687	4,697	5-6	1.41	36	148	6	27	45	25	82.
Jericho .....	1373	9,085	5,554	5	1.16	48	286	11	30	64	20	142.
Milton .....	1804	8,479	3,190	5	1.52	51	354	15	31	91	20	93.
Richmond .....	1057	7,660	21,508		1.43	50	225	11	32	59	20	130.
St. George .....	90	682	200		.74		17	1	30	6		114.
Shelburne .....	1202	10,519	2,340	5		35	253	10	33	40	20	262.
So. Burlington .....	971	5,490	5,354	5	1.26	46	182	7	34	30	24	183.
Underhill .....	1140	5,384	2,220	5	1.19	50	232	16	31	68	25	79.
Westford .....	888	4,308	55		1.21	48	165	8	28	60	27	72.
Williston .....	1176	7,738	2,890	5	.89	32	224	11	31	56	20	138.



# ESSEX COUNTY.

NAME OF TOWN	Population 1900	Grand List 1907	Debt February, 1908	Interest Rate on Debt	Average Total Tax Rate 1904-8	Average School Tax Rate 1904-8	Number Pupils Attending School 1906	Number Schools 1906	Weeks of School 1906	Miles of Road 1906	Average Road Tax Rate 1904-8	Dollars of Grand List to One Mile of Road
*Bloomfield	564	2,341	9,000	4-5	2.42	74	146	6	29	32	39	73.
Brighton	2023	8,579	83,184	5	1.70	57	340	12	29	48	24	179.
Brunswick	106	842	300	5-6	1.50	61	18	2	28	13	20	65.
Canaan	934	4,510	11,337	5	1.60	60	256	6	33	48	35	94.
*Concord	1129	4,495	40,249	4-5	2.50	75	257	13	30	6+84	57	186.
East Haven	171	1,858	0		1.03	47	36	3	28	10	20	123.
Granby	182	1,726	0		1.16	42	35	3	28	14	24	70.
Guildhall	455	2,095	886	5	1.38	43	90	6	28	30	24	90.
Lemington	204	1,520	2,213	4½-6	1.19	46	53	4	28	17	23	68.
Lunenburg	968	4,268	4,736	4-5	1.89	64	166	10	27	63	43	74.
Maldstone	206	1,325	0		1.22	50	23	3	28	18	20	104.
Norton	632	1,875	1,153	5-6	1.60	60	98	3	28	18	34	52.
Victory	321	1,549	1,428	5-6	1.64	50	72	4	26	30	30	

# FRANKLIN COUNTY.

NAME OF TOWN	Population 1900	Grand List 1907	Debt February, 1908	Interest Rate on Debt	Average Total Tax Rate 1904-8	Average School Tax Rate 1904-8	Number Pupils Attending School 1906	Number Schools 1906	Weeks of School 1906	Miles of Road 1906	Average Road Tax Rate 1904-8	Dollars of Grand List to One Mile of Road
Bakersfield	1158	4,194	3,127	5	1.45	43	204	11	26	66	23	64.
Berkshire	1326	7,442	2,787	5	1.30	43	246	12	29	68	24	109.
Enosburgh	2054	11,781	11,648	4-5	1.45	53	446	17	32	11+77	29	
Fairfax	1338	7,767	3,426	5	1.03	40	308	8	37	79	20	98.
Fairfield	1830	8,252	7,563	3½-5	1.66	58	379	22	30	118	20	70.
Fletcher	750	3,011	1,460	5	1.37	52	128.	8	28	54	20	56.
Franklin	1145	6,436	2,229	5	1.17	45	225	11	31	61	26	105.
Georgia	1280	6,291	2,492	5	1.06	50	241	11	29	75	20	84.
Highgate	1980	7,554	18,000	4½-5	1.65	59	472	16	30	94	22	80.
Montgomery	1876	5,188	12,259	3-5	1.87	72	411	13	30	68	50	76.
Rlehford	2421	9,851	21,279	4-5	1.89	71	629	16	33	10+53	28	
St. Albans C	6239	36,443	129,148	4-5	2.00	45	1203	25	36	20	15	1822.
St. Albans T	1715	7,870	22,169	4-5	1.42	45	244	10	36	63	20	125.
Sheldon	1341	7,126	0		1.22	36	276	14	31	63	25	113.
Swanton	3745	15,137	62,053	3½-5	1.49	82	474	18	32	4+79	21	

# GRAND ISLE COUNTY.

NAME OF TOWN	Population 1900	Grand List 1907	Debt February, 1908	Interest Rate on Debt	Average Total Tax Rate 1904-8	Average School Tax Rate 1904-8	Number Pupils Attending School 1906	Number Schools 1906	Weeks of School 1906	Miles of Road 1906	Average Road Tax Rate 1904-8	Dollars of Grand List to One Mile of Road
Alburgh .....	1474	5,376	2,798	5	1.26	48	314	10	33	58	21	93.
Grand Isle .....	851	3,555	3,500	4½	1.33	45	163	6	32	41	20	87.
Isle La Motte.....	508	1,759	3,989		1.43		58	3	26	19	20	93.
North Hero .....	712	2,476	7,500	5	1.73	50	111	4	34	25	20	99.
South Hero .....	917	2,795	2,785	5-6	1.14	40	94	4	34	27	20	104.

1 No report for 1907 or 1908.

## LAMOILLE COUNTY.

NAME OF TOWN	Population 1900	Grand List 1907	Debt February, 1908	Interest Rate on Debt	Average Total Tax Rate 1904-8	Average School Tax Rate 1904-8	Number Pupils Attending School 1906	Number Schools 1906	Weeks of School 1906	Miles of Road 1906	Average Road Tax Rate 1904-8	Dollars of Grand List to One Mile of Road
*Belvidere	428	1,406	9,079	9	3.00	70	89	4	28	26	50	54.
Cambridge	1606	8,720	3,336	5	1.41	54	315	15	32	92	22	95.
Eden	738	2,514	3,000	4-5	1.90	55	145	8	28	56	50	45.
Elmore	550	2,176	1,637	5-5½	2.05	59	144	8	28	60	51	36.
Hyde Park	1472	7,725	3,000	5-6	1.69	73	341	16	30	6+96	36	88.
Johnson	1391	6,272	7,490	4½-5	1.93	70	255	11	30	71	30	88.
Morristown	2583	15,136	29,301	5	1.49	73	567	18	31	10+87	32	75.
Stowe	1926	8,818	6,921	5	2.20	59	444	17	29	2+91	20	57.
Waterville	529	1,871	1,000	5	1.98	57	101	6	26	25	48	57.
Wolcott	1066	3,872	6,316	5-6	1.98	57	213	11	28	68	48	57.

1 Files incomplete.

# ORANGE COUNTY.

NAME OF TOWN	Population 1900	Grand List 1907	Debt February, 1908	Interest Rate on Debt	Average Total Tax Rate 1904-8	Average School Tax Rate 1904-8	Number Pupils Attending School 1906	Number Schools 1906	Weeks of School 1906	Miles of Road 1906	Average Road Tax Rate 1904-8	Dollars of Grand List to One Mile of Road
Bradford	1338	9,882	19,983	4½-5	1.69	60	283	8	31	9	32	46.
Braintree	776	3,403	933	5	1.87	50	173	10	28	74	22	53.
Brookfield	996	4,837	0		1.60	62	184	11	31	92	20	54.
Chelsea	1070	4,337	2,815	3	2.04	60	210	12	30	81	20	38.
Corinth	978	4,001	15,806	3-5	2.14	62	207	11	30	106	54	99.
Fairlee	438	3,179	1,082	5	1.39	48	58	4	30	32	21	43.
Newbury	2125	14,593	20,200	3-5	1.68	60	463	18	36	7+109	35	50.
Orange	598	2,626	2,200	3-5	2.24	60	149	8	26	61	20	58.
*Randolph	3141	21,648	9,820	5	1.25	61	561	21	35	11+109	32	39.
Strafford	1000	3,961	4,157	5	1.82	63	156	9	29	80	48	45.
Thetford	1249	5,654	2,432	5	1.49	54	199	12	30	98	26	29.
Topsham	1117	3,787	10,843	3-5	2.02	54	201	11	28	98	71	36.
Tunbridge	885	4,498	0		1.70	62	157	10	30	100	31	45.
Vershire	641	1,954	6,248	4-5	2.29	66	102	7	30	68	35	75.
Washington	820	3,466	3,516	5	1.85	60	131	6	30	89	50	
West Fairlee	531	1,856	3,001	3½	1.99	68	79	5	28	41	31	
Williamstown	1610	7,454	3,355	5	1.70	60	354	17	30	99	35	

## ORLEANS COUNTY.

NAME OF TOWN	Population 1900	Grand List 1907	Debt February, 1908	Interest Rate on Debt	Average Total Tax Rate 1904-8	Average School Tax Rate 1904-8	Number Pupils Attending School 1906	Number Schools 1906	Weeks of School 1906	Miles of Road 1906	Average Road Tax Rate 1904-8	Dollars of Grand List to One Mile of Road
Albany .....	1028	4,282	3,496	4-5	1.92	60	201	10	27	74	20	58.
Barton .....	2790	14,337	5,432	5	2.02	74	705	20	33	8+73	60	
Brownington ..	748	3,500	1,717	5	1.50	36	141	5	28	53	29	66.
Charleston .....	1025	4,360	4,627	5-6	1.63	50	212	11	26	70	40	62.
Coventry .....	728	3,865	4,377	5-6	1.69	50	144	7	29	58	40	67.
Craftsbury .....	1251	5,354	2,962	5-6	1.65	57	307	12	30	83	28	65.
Derby .....	3274	18,571	15,255	5	1.37	53	748	23	33	14+95	30	
Glover .....	891	4,438	1,735	5	1.72	49	178	10	27	73	44	61.
Greensboro .....	874	4,778	3,700	4-5	2.00	50	149	11	28	77	46	62.
Holland .....	838	3,250	816	5	1.66	44	208	9	28	56	27	53.
Irasburgh .....	939	5,308	2,870	5	1.78	59	192	9	30	62	32	86.
Jay .....	530	1,477	5,436	5-6	2.30	78	106	6	25	38	63	39.
Lowell .....	982	4,532	8,312	5	2.20	65	175	9	28	69	46	66.
Morgan .....	510	2,098	5,800	5	1.62	60	102	6	23	38	50	55.
Newport .....	3113	17,610	6,061	5	1.35	62	638	22	31	8+64	36	
Troy .....	1467	6,735	9,413	4 1/2-5	1.76	49	388	12	31	6+58	23	
Westfield .....	646	2,226	0		1.75	60	137	8	29	33	42	67.
Westmore .....	390						86	4	25	39		

1 No report on file since 1904.

# RUTLAND COUNTY.

NAME OF TOWN	Population 1900	Grand List 1907	Debt February, 1908	Interest Rate on Debt	Average Total Tax Rate 1904-8	Average School Tax Rate 1904-8	Number Pupils Attending School 1906	Number Schools 1906	Weeks of School 1906	Miles of Road 1906	Average Road Tax Rate 1904-8	Dollars of Grand List to One Mile of Road
Benson	844	4,772	3,330	5	1.30	41	191	10	29	61	21	78.
Brandon	2759	19,392	5,372	5	1.47	52	481	19	33	74	20	262.
Castleton	2089	8,848	11,168	5	1.46	50	404	13	35	66	20	134.
Chittenden	621	3,707	1,369	3	1.43	57	105	6	29	39	25	95.
Clarendon	915	5,561	1,782	5	1.02	37	125	7	32	56	20	99.
Danby	964	7,489	1,877	5	1.28	39	203	11	29	100	32	75.
Fairhaven	2999	14,481	8,000	4	1.58	75	694	16	35	9+22	20	61.
Hubbardton	488	2,317	0		1.20	54	99	6	31	38	20	81.
Ira	350	1,625	681	5	1.45		40	2	30	20	21	78.
Mendon	392	2,408	0		2.30	50	83	4	28	31	21	115.
Middletown Springs	746	4,374	6,516	4	1.57	48	113	4	36	38	31	43.
Mt. Holly	999	4,111	7,600	5-5½	1.55	54	199	9	28	96	20	78.
Mt. Tabor	494	1,333	9,500	4-5	2.40	46	92	3	30	17	40	154.
Pawlet	1731	9,108	3,370	5	1.18	44	311	13	34	59	20	74.
Pittsfield	435	1,545	1,891	5-6	1.35	53	67	3	30	21	37	188.
Pittsford	1866	15,022	15,942	4	1.35	53	486	15	35	80	20	162.
Poultney	3108	12,786	29,575	4-5	1.50	59	772	22	35	79	22	1865.
*Proctor	2136	14,817	4,161	4½	.89	36	556	13	41	10+4	26	275.
*Rutland	11499	87,660	449,503	3½-5	1.60	50	2187	50	38	47	20	55.
Rutland Town	1109	9,062	0		1.02	38	218	9	35	33	20	57.
Sherburne	402	1,974	4,000	6	1.84	46	92	6	29	36	50	87.
Shrewsbury	935	4,349	148	6	1.64	64	187	8	29	76	33	58.
Sudbury	474	3,237	0		1.11	35	79	5	30	37	20	155.
Tinmouth	404	2,487	2,049	4½	1.30	34	111	5	31	43	27	78.
Wallington	1575	11,007	8,067		1.17	42	321	12	36	71	20	104.
Wells	606	3,434	3,686	5	1.60	50	123	7	31	44	20	495.
West Haven	355	3,639	0		.55	0	66	6	32	35	26	
West Rutland	2914	17,325	26,679	3½-5	1.34	51	838	19	36	35	20	

# WASHINGTON COUNTY.

NAME OF TOWN	Population 1900	Grand List 1907	Debt February, 1908	Interest Rate on Debt	Average Total Tax Rate 1904-8	Average School Tax Rate 1904-8	Number Pupils Attending School 1906	Number Schools 1906	Weeks of School 1906	Miles of Road	Average Road Tax Rate 1904-8	Dollars of Grand List to One Mile of Road
Barre City	8448	49,931	384,813	3½-4	2.58	70	2520	46	35	41	20	1218.
Barre Town	3346	18,521	4,000	5	1.54	70	772	23	32	82	36	226.
Berlin	1021	6,270	3,537	4-5	1.32	49	220	9	30	74	29	85.
Cabot	1126	5,040	6,158	5	1.84	70	205	13	29	5+74	55	
Calais	1101	4,723	4,042	5	1.57	58	210	12	28	101	34	47.
Duxbury	778	4,089	2,154	5-6	1.75	50	142	8	28	38	50	108.
East Montpelier	1061	6,748	1,117	3	1.43	48	166	9	30	77	56	88.
Fayston	466	2,332	1,111	5-6	1.77	48	118	6	28	40	30	71.
Marshfield	1032	4,477	2,933	5	1.68	52	200	11	30	77	36	58.
Middlesex	883	4,390	10,691	4-5	1.69	50	169	10	28	74	31	59.
Montpelier	6266	58,878	136,845	3½-5	1.50	46	911	22	36	54	32	1090.
Moretown	902	5,894	3,652	5	1.46	46	166	9	30	62	32	95.
Northfield	2855	16,030	11,000	5	1.66	71	702	26	32	10+85	29	
Plainfield	716	4,221	822	5	1.77	66	702	8	30	48	30	88.
Roxbury	712	2,695	1,456	5	2.03	51	121	6	28	61	52	44.
Waitsfield	760	5,195	0	3-5	1.42	50	145	6	32	43	24	121.
Warren	826	3,591	2,456	4-6	1.80	70	178	8	30	66	30	54.
Waterbury	2810	13,314	20,639	5	1.50	30	369	17	31	5+75	30	
Woodbury	862	3,043	11,464	5	2.59	67	177	10	28	69	36	44.
Worcester	636	2,632	1,203	5	1.73	66	106	6	30	44	30	60.



## WINDHAM COUNTY.

NAME OF TOWN	Population 1900	Grand List 1907	Debt February, 1908	Interest Rate on Debt	Average Total Tax Rate 1904-8	Average School Tax Rate 1904-8	Number Pupils Attending School 1906	Number Schools 1906	Weeks of School 1906	Miles of Road 1906	Average Road Tax Rate 1904-8	Dollars of Grand List to One Mile of Road
Athens .....	180	1,126	642	6	1.50	60	19	2	30	22	29	51.
Brattleboro .....	6640	56,765	92,707	3-5	1.11	43	1024	31	34	25+65	20	40.
Brookline .....	171	758	533	4-5	1.35	63	28	2	28	19	22	39.
Dover .....	503	2,048	979	5	1.72	54	80	5	53	53	62	56.
Dummerston .....	726	4,028	6,514	3½-5	1.49	46	128	7	30	72	25	51.
Grafton .....	804	3,126	6,454	5	1.78	54	138	7	28	61	35	40.
Guilford .....	782	3,552	4,161	3½-4	1.73	59	182	10	28	88	23	26.
Halifax .....	662	2,097	1,415	5	2.12	70	143	9	28	82	43	36.
*Jamaica .....	800	3,105	32,000	4-5	3.24	63	125	6	28	86	30	69.
Londonderry .....	961	4,895	8,091	4-5	1.57	50	160	11	30	71	51	29.
Marlboro .....	448	2,301	0		1.60	60	90	5	28	79	60	49.
Newfane .....	905	4,055	7,101	4-5	2.00	64	158	7	30	82	52	80.
*Putney .....	969	5,091	2,333	4-5	1.66	50	114	8	29	64	24	
Rockingham .....	5809	52,591	133,641	3½-4½	1.46	50	1398	32	37	10+79	20	
*Somerset .....	67	1,241	1,400		2.50	44	10	1	24	10	76	124.
Stratton .....	271	1,596	528	5	1.36	15	15	2	18	26	26	61.
Townshend .....	833	3,786	12,122	5	1.58	56	107	6	27	79	22	48.
Vernon .....	578	3,376	1,100	5	.97	35	99	4	30	29	22	116.
Wardsboro .....	637	1,969	1,240	5	2.22	58	132	6	28	68	67	29.
Westminster .....	1295	8,071	17,351	4	1.60	62	221	11	30	85	25	95.
Whitingham .....	1042	3,832	2,000	4	1.84	66	197	12	30	4+85	40	
Wilmington .....	1221	6,996	11,577	3½-5	1.91	73	234	10	30	3+74	37	
Windham .....	356	1,720	1,407	5	1.47	54	105	5	26	48	53	36.

# WINDSOR COUNTY.

NAME OF TOWN	Population 1900	Grand List 1907	Debt February, 1908	Interest Rate on Debt	Average Total Tax Rate 1904-8	Average School Tax Rate 1904-8	Number Pupils Attending School 1906	Number Schools 1906	Weeks of School 1906	Miles of Road	Average Road Tax Rate 1904-8	Dollars of Grand List to One Mile of Road
Andover .....	372	1,561	5,414	4	2.20	44	61	4	28	49	46	32.
Baltimore .....	55	297	257	5	1.41	56	16	1	28	8	40	37.
Barnard .....	840	3,583	3,000	4	1.83	54	153	10	30	99	96	36.
Bethel .....	1611	9,866	3,600	5	1.20	58	370	13	33	90	27	110.
Bridgewater .....	972	4,016	9,570	4-5	2.00	58	185	9	28	64	46	63.
Cavendish .....	1352	8,556	8,435	5	1.32	48	222	11	34	60	25	143.
Chester .....	1775	11,173	11,960	3½-5	1.70	50	342	16	33	111	30	101.
Hartford .....	3817	30,232	80,769	3-5	1.50	70	920	28	35	122	21	248.
Hartland .....	1340	7,484	6,418	4	1.50	50	244	15	30	108	40	69.
Ludlow .....	2042	12,198	44,570	3-5	1.56	60	513	13	32	8+65	25	
Norwich .....	1303	5,752	5,100	5	1.72	63	215	12	30	103	36	56.
Plymouth .....	646	2,816	1,668	4	1.73	55	119	8	28	80	20	35.
Pomfret .....	777	4,193	3,100	4-5	1.62	52	95	6	30	90	25	47.
Reading .....	649	2,907	8,808	4½-5	1.79	63	104	5	30	73	41	40.
Rochester .....	1250	5,901	0		1.76	72	291	14	32	78	31	76.
Royalton .....	1427	8,386	2,778	5	1.54	58	281	15	31	90	31	93.
Sharon .....	709	3,640	6,131	5	1.48	47	908	8	31	63	20	58.
Springfield .....	3432	25,043	88,727	3-5	1.58	60	758	21	37	12+110	20	205.
Stockbridge .....	822	3,459	6,921	3-5	1.42	26	141	7	29	66	28	52.
Weathersfield .....	1089	5,751	15,359	4½	1.78	49	192	10	30	99	21	58.
Weston .....	756	2,989	4,754	4-5	1.78	53	166	7	30	58	42	52.
West Windsor .....	513	2,747	10,600	4	1.88	66	99	7	24	33	33	83.
Windsor .....	2119	11,680	11,700	4	1.64	56	377	11	36	4+54	20	201.
Woodstock .....	2557	32,719	27,017	3½-5	1.25	38	474	13	34	8+95	20	318.

NAME OF VILLAGE OR INCORPORATED DISTRICT	Debt at Last Annual Audit	General Village Tax Average 1904-7	School Tax Aver- age 1904-7	Highway Tax Average 1904-7	Fire Tax Aver- age 1904-7
Barton .....	98,000	35	65	60	
Barton Landing .....	27,595		65	60	
Bellows Falls .....	48,000				
Bennington .....	49,500	69	72	20	
Bennington Center .....	8,000	34	37	16	
Bethel .....	17,000		76		18
Bradford .....	52,000	66	60	30	
Brandon .....	448		50		5
Brattleboro .....	40,339	40	67		
Bristol .....	67,371	41			5
Cabot .....	0	5	26		
Chester .....	33,767				25
Concord .....	0	18			
Corinth .....	829		62		
Danville .....	6,906		45		20
Derby .....	0	22			
Derby Line .....	2,270	30			
Duttonville .....			25		5
Enosburg Falls .....	53,690	36	69		
Essex Junction .....	40,800	27	65	24	
Fair Haven .....	82,500	45	70	20	
Hardwick .....	20,453	50	100	37	
Hyde Park .....	11,500	30			
Johnson .....	23,076	25			
Ludlow .....	40,672	41			
Lyndon Center .....	445	17		22	
Lyndonville .....	97,635	32	112	20	
Manchester .....	0	30			20
Middlebury .....	109,739	54	54	20	
Milton .....	0		60		
Morrisville .....	115,986				
Newport .....	67,293	31	84		
Newport Center .....	314				
North Bennington .....	500	15	37	20	
Northfield .....	140,517	72	75	30	
North Pownal .....	500		65		
North Troy .....	15,498	75	75	20	
Plainfield .....	0				
Poultney .....	35,000				37
Proctor .....	97,210	43	70	20	
Randolph .....	31,088	22	53	20	
Readsboro .....	21,102	31		59	
Richford .....	25,700				
Rochester .....	10,000		51		
Royalton .....	1,133		75		
St. Johnsbury .....	16,000	80			
Springfield .....	175,000	95		20	
Stowe .....	19,500	28		28	

NAME OF VILLAGE OR INCORPORATED DISTRICT	Debt at Last Annual Audit	General Village Tax Average 1904-7	School Tax Aver- age 1904-7	Highway Tax Average 1904-7	Fire Tax Aver- age 1904-7
Swanton .....	129,533	48	65	20	
Underhill .....	0		61		
Waterbury .....	58,807	31		16	
Wells River .....	34,611	16	74	46	
West Burke .....	0	19	41		
West Derby .....	2,073	55			
Wilmington .....	20,000	65			
Windsor .....	59,000				
Winooski .....	114,366	79	40	20	
Woodstock .....	22,179	35			

## INVENTORY STATISTICS.

The following table shows the number of taxpayers answering the inventory questions given and the amount of property returned under each question in the entire state in 1907:

No. Question.	Number Answering.	Amount Returned.
4. Live stock over four months old owned in state .....	62,996	\$16,507,170
6. Live stock over four months owned by non-residents .....	26,117	
5. Bees, vehicles not exempt, watches, pianos, organs .....	18,105	296,919
7. What was the value of all kinds of Produce, not exempt, owned by you on the first day of April, 1907? .....	27,975	1,678,001
8. What was the value of your Stock in Trade on the first day of April, 1907? .....	31,253	13,303,211
9. What amount of Raw Material, Manufactured Product, Machinery not Real Estate, and other Goods, Chattels, and Effects, not included in questions 4 to 8 inclusive, not exempt from taxation, was owned by you on the first day of April, 1907? .....	27,680	3,766,994
10. What amount of cash on hand did you own or hold on the first day of April, 1907? .....	28,883	1,782,314
11. What amount of debts due or to become due from solvent debtors, whether on account, note, contract, bond, mortgage, trust deed, or other security, including all debts or sums due from parties residing within or without this State, and all mortgages and trust deeds of real or personal estate situated or being within this State or any other State or country, whether such mortgages, trust deeds, or other evidences of debt were within or without this State on the first day of April, 1907, and whether then due or thereafter to become due, did you own or hold on the first		

day of April, 1907?.....	40,595	20,581,619
12. What was the aggregate amount of deposits in Savings Banks, Saving Institutions, and Trust Companies without this State, owned or held by you on the first day of April, 1907?.....	28,184	1,415,455
13. What was the aggregate amount of deposits in all Banks, National Banks, and Banking Houses, both within and without this State, owned or held by you on the first day of April, 1907, not including deposits in Savings Banks, Savings Institutions, and Trust Companies in this State, and deposits in National Banks in this State, whereon the rate of interest exceeds two per cent. per annum?.....	27,914	534,827
14. What was the aggregate amount of checks and drafts on Savings Banks, Savings Institutions, Savings Banks and Trust Companies, Trust Companies, Banks, Banking Houses, and National Banks, owned or held by you on the first day of April, 1907?.....	28,583	226,662
15. What was the value of debts due or to become due from insolvent debtors, owned or held by you on the first day of April, 1907?.....		447,528
16. What perpetual or redeemable leases upon which rent is reserved, except of lands exempt from taxation, did you own on the first day of April, 1907? And what amount of rent is reserved thereby? .....		35,705
18. On or before the first day of April, 1907, did you have any interest bearing deposits in a National Bank in this State, whereon the rate of interest exceeded two per cent. per annum?.....		94,603
19. During the fiscal year next preceding the first day of April, 1907, did you have any such deposits? .....		81,025
(NOTE—No answer was required to questions 18 and 19 if on or before the first day of April, 1907, the National Bank holding deposits therein specified had filed a stipulation in writing agreeing to pay all taxes to the State on account of such deposits.)		
21. What stock in the public funds, including all State, County, City, Town, Village, or School District, Stocks or Bonds, of this or any other State, was owned or held by you on the first day of April, 1907?.....		1,680,939
22. What stock in Banks, Trust Companies, and other corporations in this State (except what is exempt in manufacturing and railroad corporations in this State) was owned or held by you on the first day of April, 1907?.....		5,646,842
23. What stock in corporations located out of this State, which is not taxed against the shareholders or corporations in the State where the corporations are located, was owned or held by you on the first day of April, 1907?.....		911,813

## ITEMS OF GRAND LIST.

The grand list of the State was made up of the following items in 1907:

Real Estate, 1st class.....	\$ 74,838,560
Real Estate, 2nd class.....	64,871,142
Total Real Estate.....	<u>\$139,709,702</u>

## PERSONAL PROPERTY.

Live stock .....	\$16,507,170
Other tangible personal property.....	19,045,125
Intangible personal property and cash.....	<u>37,223,328</u>
Total .....	\$72,775,623
1 Offsets allowed .....	<u>28,637,255</u>
Personal property for taxation.....	<u>44,138,368</u>
Real and personal property for taxation.....	<u>183,848,070</u>
One per cent. of same.....	1,838,480
Taxable polls at \$2.00.....	<u>183,334</u>
Grand list .....	2,021,814

<sup>1</sup> The amount of offsets above stated is obtained by subtracting the amount of personal property for taxation as returned by the secretary of state from the total amount of personal property returned by the taxpayers in their inventories and reported by the agents of this commission. There is one source of error in this computation (aside from the universal liability to mistake) from the fact that one item of intangible property is estimated and not computed. The secretary of state's figures are too large because several town officers return the total of offsets claimed while a few merely estimate the amount.

## SAVINGS BANK STATISTICS.

June 30, 1907.

	Amount	Number
Deposits in Vermont Savings Banks, Savings Banks and Trust Companies, and Trust Companies by residents of Vermont.....	Deposits	Depositors
Deposits by non-residents.....	\$48,591,717	141,169
	<u>8,852,577</u>	<u>19,901</u>
Total.....	\$57,444,294	161,070
By savings depositors .....	\$54,956,328	154,325
By commercial depositors .....	<u>2,487,966</u>	<u>6,745</u>
Total.....	\$57,444,294	161,070

Average amount savings deposits \$356.

## RESOURCES OF ABOVE INSTITUTIONS.

Mortgages on real estate in Vermont.....	\$11,481,971
Mortgages on real estate elsewhere.....	23,846,128
Loans on personal security .....	5,974,416
Loans on deposit book collateral .....	240,890
Loans on bank stock collateral.....	498,129
Loans on mortgage collateral.....	983,567
Loans on other collateral .....	725,099
Loans to towns, cities, etc.....	1,814,916
Bonds .....	13,019,114
Real estate and fixtures for banking purposes.....	387,846
Real estate acquired by foreclosure.....	218,245
Bank stock owned .....	313,418
Accrued interest .....	304,031
Miscellaneous assets .....	72,899
Deposits in banks .....	2,829,843
Cash on hand .....	560,574

\$63,271,086

## REAL ESTATE MORTGAGE STATISTICS.

Table showing amount of mortgages on real estate filed for record in Vermont, calendar years 1900 to 1906 inclusive:

Year.	To residents of town in which mortgage was recorded	To residents of state but not of town	To non- residents of state	Total
1900 .....	\$ 3,124,108	\$ 1,722,822	\$ 1,521,874	\$ 6,442,236
1901 .....	3,484,943	1,927,849	3,220,473	8,837,039
1902 .....	3,377,749	2,057,580	2,136,074	7,383,263
1903 .....	3,752,119	2,185,163	1,508,752	7,552,558
1904 .....	3,729,996	2,192,928	10,724,382	16,330,854
1905 .....	5,284,148	2,771,794	2,302,720	10,428,014
1906 .....	3,952,006	4,630,681	5,842,181	15,002,161
*To non-residents not included above .....			11,590,000	11,590,000
Total .....	\$26,705,069	\$17,488,817	\$38,836,357	\$83,030,243

## FEDERAL CENSUS 1890.

## TABLE 104.

## Real Estate Mortgages made in Vermont.

1880 .....	\$ 6,524,358
1881 .....	5,071,173
1882 .....	6,198,855
1883 .....	6,206,300
1884 .....	6,571,912
1885 .....	5,869,626
1886 .....	5,228,891
1887 .....	5,052,102
1888 .....	5,646,953
1889 .....	6,509,319

Total .....\$58,879,489

\* These are corporation mortgages covering property in more than one town.

The same authority gives:

The average life of a Real Estate Mortgage in Vermont as 5.532 years.

The amount of existing mortgage indebtedness of the state in 1890, \$27,907,687.

Percentage of existing mortgages to total mortgages given during preceding 10 year period, 47 per cent.

(It should be stated that the census of 1890 is quoted because that of 1900 takes no account of indebtedness.)

If we assume that the average amount of real estate mortgages recorded in each year 1897, 1898, and 1899 was \$7,000,000 and for the three years.....\$21,000,000  
Amount recorded 1900 to 1906 inclusive..... 83,030,243

We have total for ten year period.....\$104,030,342  
Of this 47 per cent. gives..... 48,894,214  
as the real estate mortgage indebtedness of Vermont, December 31, 1906, assuming the same percentage to hold between existing mortgages and mortgages recorded during the preceding ten year period as for the period ending 1890.

As the amount of recorded mortgages greatly increased in the last three years, 1905, 1906 and 1907, it is probable that the proportion unpaid is somewhat greater than for the period 1881 to 1890, or perhaps \$50,000,000 in round numbers. Of this amount nearly \$20,000,000 probably consists of corporation mortgages mostly to non-residents.

#### APPROXIMATE CLASSIFICATION OF MORTGAGE INDEBTED- NESS OF VERMONT.

a Bonds of corporations secured by mortgage on Vermont real estate .....	\$20,000,000
b Due creditors living in town where mortgaged land is situated .....	12,600,000
c Due creditors living in state but outside town where mortgaged land is situated.....	8,400,000
d Due non-residents of state .....	9,000,000
	<hr/>
	\$50,000,000
Of b and c there was due to the savings banks and similar institutions of the state, June 30, 1907.....	\$11,481,971

The estimate of the total existing real estate mortgage indebtedness at \$50,000,000, is made in the manner above indicated. The assignment of \$20,000,000 of this to corporation bonded indebtedness is little more than a guess based on an examination of the figures given in the table on p. 113. If too large probably classes b, c and d above are too small but the *proportion* between b, c and d would remain the same.



## MISCELLANEOUS STATISTICS.

Amount of real estate exempt from taxation by vote of towns .....	\$1,600,115
Number inventories on file.....	113,856
Number inventories for poll tax only.....	45,372
Number of legal inventories.....	3,632
Number cases in which lists were doubled or assessment made .....	791
Appraisal of real estate before doubling.....	267,545
Appraisal of personal estate before doubling.....	162,331
Amount of assessments .....	1,603,991
(In comparatively few of these cases of assessing or doubling were the provisions of the law complied with.)	
Percentage of appraised to actual value of real estate, average for entire state.....	70 per cent.
Amount of U. S. Deposit Fund still in hands of the several towns, April 20, 1908.....	\$449,659

## CLASSIFICATION OF OFFSETS.

	per ct.
Owed to residents of same town as taxpayer claiming offset.....	36.67
Owed to residents of this state but not of town of taxpayer claiming offset .....	30.58
Owed to non-residents of state.....	32.74









